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in the  
United States  
Gurdon Ransom Miller

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# **SOCIAL INSURANCE**

IN THE

# **UNITED STATES**

BY

**Gurdon Ransom Miller, Ph.D.**

**Professor of Sociology and Economics, and Dean of the  
Senior College, Colorado State Teachers' College**



**CHICAGO**  
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## EDITOR'S PREFACE

Looking back through a century of American life the evolutionary process is clearly apparent. The movement toward the franchise for women and now industrial insurance seem to be a real part of our history. The principle of such insurance has already been recognized by industrial concerns and some of the states. Germany's efforts in that direction have been for war purposes; those that are developing in the United States are for social purposes—a part of our whole democratic development.

The book now presented to the public in this series is not the last word on the subject, it is in the nature of a summary, an effort to give the everyday man a view of the new social requirements that will face us in America in a new way when the war is over. The editor feels that the author, Dean Miller, has done an interesting and worth-while piece of work that will find a worthy place in the series.

F. L. M.



## AUTHOR'S PREFACE

The purpose of this volume is to point out the marked change in American public opinion toward Social legislation, and to put into brief and concise form the evolution of the Social insurance idea in the United States.

The entry of this country into the European war alters in no sense the fundamental principles of Social insurance, except to emphasize the right of the Soldier worker to insurance under Government authority and backing. This emphatic acknowledgment of the justice of the insurance idea will probably enhance its value in the public mind at the close of the war.

The last chapter of the book is frankly speculative and attempts a brief, rational discussion of some possible educative results that may accrue from a wider application of the Social insurance principle in this country.

The author acknowledges his indebtedness to the several writers from whose works he has made citations in this volume, and remembers

gratefully the aid of Dr. George A. Warfield of the University of Denver in criticism of the original manuscript. Finally he renders appreciation to his wife, whose aid conserved for him the hours necessary for the completion of the work.

G. R. M.

## CONTENTS

CHAPTER	PAGE
I. Changing Public Attitude in the United States Toward Social Legislation . . . . .	I
II. The Conservation of Human Resources . . . . .	9
III. Status of Workmen's Accident Compensation in the United States . . . . .	17
IV. Health Insurance . . . . .	31
V. Prevention—Medical Aid and Organization . . . . .	52
VI. Unemployment . . . . .	63
VII. Old Age Support . . . . .	105
VIII. Social Insurance as a General Educator . . . . .	119



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# SOCIAL INSURANCE IN THE UNITED STATES

## CHAPTER I

### CHANGING PUBLIC ATTITUDE IN THE UNITED STATES TOWARD SOCIAL LEGISLATION

**A** CENTURY and a half of national experience has led us through an evolution of political science in the United States. The first period was necessarily one of constitution making, on which statute law of nation and states could be builded. There were no great world experiences, embodied in national law, at the time of the formation of the American Constitution, which could have logically led its founders to conclusions very markedly different from those which they embodied in it. In 1789 our Constitution was considered by able world jurists the greatest instrument of its kind in the history of human social progress. It was conservative, but so was the world.

However, the one hundred and forty years of our national life has been necessarily an epoch of experimentation in law making in all the states of the Union. Our statutes are a continued recital of repeated efforts of the Commonwealths to reconstruct and remodel state laws to conform to the needs of a growing and more complex population. The history of law making in America is the story of the evolution of our social needs, and it registers a constantly growing consciousness of the power of law to facilitate progress.

Thinking in terms of a century and a half of effort, change and not stability has been characteristic of American law. Thinking in terms of decades, conservative action has been the rule; but in terms of the whole national and state life our history records a remarkably steady evolution in law making, from a limited interpretation of social needs toward a more altruistic interpretation of social necessities. Until recent years our attitude has been averse to such legislation, but it becomes constantly apparent that American public opinion has steadily and necessarily grown more altruistic in its attitude toward social law making.

The past twenty-five years have witnessed the emergence in American national life of many large public problems, the solution of which calls for scientific expert knowledge hitherto unrecognized in America as professional in its nature. The advent in the United States of the trained professional student of social organization and legislation is not accidental in any measure. He is a direct product of university forethought. Within the quarter century previously mentioned, the larger number of our universities and colleges of academic standing have established departments for the study of social science on a scale more elaborate in plan than is operative in any system of universities of national extent elsewhere in the civilized world. The expansion of study and research work of this nature in American universities, in its reactions on thought, is easily comparable with the effect on American life of professional study of the natural sciences within the past epochal twenty-five years.

Today our best thinking on social problems is guided, directly or indirectly, by university influence. This change of viewpoint toward

social legislation is largely being accomplished by educated effort exerted through professional associations, journals, books, pamphlets, bulletins, and the professional platform. In fact the attitude of the American public is changing toward a more rational, scientific consideration of all reform legislation and the tendency is toward professional guidance, under the leadership of the universities.

There is one great field of activity in which the above statements are not extensively applicable. The average labor leader is not affected appreciably by university thought regarding the social status of the laboring classes. A few great men in the national councils of labor organizations do realize that the greatest thinking now emanating from the American mind on the relation of labor to human welfare is being evolved and taught in university classes to thousands of students. Yet the active leaders of the large majority of state and local labor organizations are literally untouched by university thinking, either directly or indirectly.

Whatever the reason for this gulf of ignorance, it ought to be closed by intelligent, appreciative effort. There is no reason for its

continuance. University extension into the territory of labor organizations ought to be able to set in operation scientific consideration of large social topics of immediate and vital interest to the workers. In short, the very existence of organized labor, in its perfected forms and relationships, stated places of meeting, regular expected discussions of labor problems, all create an unexcelled opportunity for the entry of university talent into a superior field of work in applied social science. There is scarcely any other opportunity comparable with it in the immensity of the possible good that might be accomplished for labor and the state.

Labor organizations need trained leadership, men versed in economic and social theory as well as in daily operation of labor. Experts in the economic theories of labor problems might many of them now be in the employ of labor organizations, if the organizations so desired. New industrial boards and commissions are constantly coming into existence for the direction and control of new forms of law calculated to facilitate progress according to modern social thought. Labor must be represented

on these boards by trained men who know scientifically modern social theory, legislation, and administrative methods. These results are not immediately attainable, but the writer believes it inevitable that there will come a gradual merging of university theory and labor organization practice by the entry of future intelligent university students into this promising field of professional work. Once begun, it might easily become one of the greatest scientific influences in America in the guidance of public opinion, and in directing our changing attitude toward labor legislation to still more rational conclusions.

The great professional American journals on economic and social questions are the organs of large and powerful societies of educated men and women. Among these societies in America are: the American Association for Labor Legislation, the American Economic Association, the American Sociological Society, the American Political Science Association, and the American Civic Association, all of which are superior sources of influence in shaping public opinion in these days of change. The influence they exert is expanding rapidly

and becomes constantly an added sane and poised body of scientific thought, contributing toward more hopeful legislation. It is worthy of note that these societies are comparatively new. Their power will increase. The public intelligence is being cultivated and it evidences a positive growth. It is not at all remarkable that public opinion regarding labor legislation is changing; the remarkable occurrence would be, if it did not change.

Nearly all our recent laws on workmen's compensation and social insurance have been drafted by experts. The greatest authority on this subject today is the American Association for Labor Legislation. It has produced well-nigh a revolution in our thinking regarding industrial legislation. It is a professional society, the growth of which has not been sporadic, but steady, sound, reliable, scientific. Its work is perhaps the best example in America today of national, active, applied social science.

The expert in social legislation, surveys, organized charity and philanthropy, settlement and welfare work of all kinds, private and public, and in every general social effort of large import, is in demand. A new profession has



## 8 *Social Insurance in the United States*

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emerged in response to positively developing social needs. The public mind shows no wonder, but on the contrary gives positive proof of appreciation of the new profession by the permanent employment of expert workers as rapidly as their ability is proved. The demand today for expert service is greater than the supply.

An era of social betterment has passed the experimental stage. The professional period has arrived. If it does not become commercialized, its ethical possibilities are unlimited. If it remains professional in its education and practice, its future is assured. The public attitude is changing conservatively but surely toward rational scientific social betterment; but its more recent changes have been produced by a positive educational effort, conceived in and directed from great national thought centers.

## CHAPTER II

### THE CONSERVATION OF HUMAN RESOURCES

**T**HE conservation of natural resources in all its varied phases is contributory only to the saving, expansion, and retention of the human resources of health, vigor, life, hope, and efficiency in all aspects of living. Human longevity and potentiality have never yet received any extensive scientific test from the standpoint of conservation. Human resources have not by any nation been conserved up to the limit of knowledge on the subject. Until recent years the public attitude has been that of *laissez faire*.

Conservation of land in a country of increasing population becomes easily a topic of public concern. Protection of forests in a nation where the demand for lumber steadily increases excites interest and produces public action; the saving of our mineral wealth becomes more and more a matter of public concern; while water, crops, and animal con-

servation are considered legitimate subjects for legislation. These phases of the subject, and others not here mentioned, have occupied the American public mind for several years with a resultant of legislative action, superior in quality. Yet all action whatsoever in these interesting fields of endeavor is introductory and contributory only to the conservation of life and its potentialities. The ultimate climax of all these programs is to raise the level of human living.

The average biologist inveighs against the preservation of the physically weak, but he essentially answers his own argument by the theory of eugenics. Weak and strong are relative terms, and subject to large analysis. This discussion cannot concern itself with extensive classifications, and a few examples must suffice for our purpose. Child conservation, in its comprehensive scope, may not be properly termed preservation of the weak. The elimination of disease, in its fullest meaning, is not the saving of the weak; but in far larger measure it is the rescue of the strong through the elimination of the causes of disease. The clinical study of defective children in America has

produced marvelous results in educational methods of dealing with this class of children; but the greatest reaction educationally of clinical study has been still more remarkable in its total effect on methods of training normal children. It has conserved the many strong, while classifying and aiding the comparatively few weak. Conservation necessarily means ultimately the preservation of the strong. There is no other rational interpretation of the theory. The morality of the human race has evolved slowly through anthropologic eras and historical time only by more intelligent consideration of the rights of the comparatively weak; but out of the age-long process has come the inevitable stability of the morals of the truly strong.

The advance of modern biologic science has made steady and positive contributions toward the evaluation of human life. Medical science, building upon and utilizing the results of biology, has made miracles real in the practical elimination of many diseases and the preservation and prolongation of life. The losses to society through unnecessary and preventable deaths are social calamities. The greatest economic waste in America has its sources in

preventable illness, accidents, and deaths. Yet despite the accomplishments of biologic and medical science, these causes continue to operate extensively, and become more and more questions for public concern.

Dr. George M. Gould says that the combined annual cost of illness and death in the United States is probably not less than \$3,000,000,000, and he adds that one-third of this is preventable.<sup>1</sup> Professor Irving Fisher of Yale University estimates the annual deaths in the United States at 1,500,000, and that of these 630,000 are preventable; and he asserts a possible economic saving by prevention of \$1,000,000,000 annually.<sup>2</sup> In his well-known report on *National Vitality*, Professor Fisher also states that by the scientific application of well-known laws of health the mortality among infants can be reduced forty per cent, young children sixty-seven per cent, youth and middle age forty-nine per cent, and advanced age twenty-eight per cent. He estimates the average duration of life in the United States at forty-five years; and places the possi-

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<sup>1</sup> Seager, *Social Insurance*, p. 45.

<sup>2</sup> *Ibid.*

ble prolongation of life at nearly fifteen years, making a total of sixty years as a possibility.<sup>1</sup>

"The rate at which life is lengthening varies greatly from one country to another, and depends largely upon the relation existing between normality and maladjustment. Among males in England the average length of life is increasing at the rate of fourteen years per century; France, ten years; Denmark, thirteen years; Prussia, twenty-five years; and Massachusetts, fourteen years."<sup>2</sup> Accepting the table as an approximation only, but as signifying a genuine lengthening of life, and hence an increased working period, it is evident that the economic gain in all these countries is greatly augmented by the indicated prolongation of life, and especially is this true of Prussia, where social insurance evidently has been a large factor in increased longevity during the past twenty years. Considering the direct national effort to improve the social condition of her people, it is not remarkable that Prussia shows the greatest increase in average longevity during the past century.

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<sup>1</sup> Fisher, *National Vitality*, 1910.

<sup>2</sup> Nearing, *Social Adjustment*, p. 185.

There are no figures available by which the effect of social insurance on length of life may be scientifically demonstrated. No country has operated long enough under systematic, accident, life, illness, and old age insurance to furnish data complete enough for a scientific estimate of the cumulative effect of the system. Nevertheless, it is highly probable that next to biologic and medical science, social insurance is the greatest modern influence toward such a result. Metchnikof, Pasteur, Koch, and Fisher are among our greatest authorities on longevity, and they all unite in the belief that human life can be indefinitely extended by scientific application of extant knowledge.

Our educational systems increase constantly the expense per capita in the training of our children and youth. This is especially true in the newer industrial phases of education in America. We aim more constantly at productive efficiency, through training in our public institutions, and we spend money lavishly to accomplish the desired result. As wealth increases, we may prolong the age of compulsory education in America. Certain it is now that we are actually extending the period of educa-

tion through continuation schools of many kinds, both industrial and professional. The effort is highly commendable, but the aggregate percentage of possible economic gain is markedly reduced when we reflect that forty-five years is a high estimate of the average length of life in America at the present time, and that future education may demand one-third to one-half of life in preparation for work.

The purpose of this chapter is not only to point out some possibilities in the conservation of human life, but also to induce particular consideration of the probable effects of social insurance on prolongation. Insurance against sickness is discussed in a later chapter, but at this point it is permissible to say that any economic provision whereby sickness can be adequately combated in the middle and lower classes of society does positively operate for longevity, and consequently for an increased period of economic productivity. Social insurance that makes economic provision for individuals, or dependent families, against accident, either fatal or non-fatal, operates in the second case to restore the injured person to



## **16 *Social Insurance in the United States***

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normal condition with a minimum loss of time; in the first it insures continuity of family life, and the physical efficiency of dependents. In both cases the general result is the equivalent of prolongation of life. Old age insurance is a direct social premium on maturity. It is a positive effort at life preservation. Here the only direct economic gain to society is the probable prolongation of the working period of life through the elimination of the harassing thought of poverty in old age.

Considering all phases of social insurance, it probably will become a dominant factor in the conservation of life, operating to make economically possible the application of all known scientific means for prolongation among millions of people now dependent solely on unintelligent individual effort. It is an immense propaganda of human appreciation, working for the increase and conservation of life. It becomes a premium on righteous living.

## CHAPTER III

### STATUS OF WORKMEN'S ACCIDENT COMPENSATION IN THE UNITED STATES

**W**ORKMEN'S accident compensation is a subject of immense magnitude. It involves all industrial productive activities, and touches innumerable relations existing between industry and community, family, and individual life. There are approximately 82,520 deaths annually in the United States due to accidents from all causes. About 25,000 of these may safely be estimated to result directly from dangerous occupations, necessary to industrial work.<sup>1</sup> Assuming the necessity for these 25,000 fatal accidents, the problem takes on a serious aspect, both from the viewpoint of national productive efficiency and from the consideration of the public burden of the support of dependent widows and children.<sup>2</sup> Com-

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<sup>1</sup> Hoffman, U. S. Labor Bulletin, No. 157, *Industrial Accident Statistics*.

<sup>2</sup> *Ibid.*

pensation laws are scientific efforts at the solution of this problem.

The first publication in the United States on the subject of workmen's insurance was the Fourth Special Report of the Commissioner of Labor in 1893. At that time compensation laws had been established in two European countries only, Germany in 1884, and Austria in 1887.<sup>1</sup> Since then, thirty-nine European countries have adopted compensation, and none of the total forty-one have rejected the principle. From 1893 to the present time has been a period of intensive study of the compensation problem in the United States. Investigation of a scientific nature has been widely active in many states. It was evident from the beginning that progress on this problem would almost necessarily come from the leadership of individual states, and not from direct legislation by the Federal Government.

The first American State Commissions were inaugurated severally in New York, Wisconsin, and Minnesota in 1909. Legislation quickly followed in New York in 1910, Wis-

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<sup>1</sup> U. S. Labor Bulletin, No. 126, *Workmen's Compensation Laws of the United States and Foreign Countries*.

consin 1911, and Minnesota 1913. From 1909 to 1913, twenty-seven state commissions were appointed to study the subject of workmen's compensation.<sup>1</sup> With twenty-seven official state commissions at work, and with numerous professional associations concentrating their efforts on this subject, it was expected that further progress would soon be accomplished.

The results since 1913 show clearly that the principle of protection of labor through compensation laws is well established in the United States. During 1915 "ten new states and territories, Alaska, Colorado, Hawaii, Indiana, Maine, Montana, Oklahoma, Pennsylvania, Vermont, and Wyoming, joined the ranks, making thirty-three states, or two-thirds of the entire number."<sup>2</sup> However, this kind of legislation is new in this country, and whatever the general results that may accrue, they probably will be more a result of modes of administration than of the laws themselves.

Two modes of administration are now operative in various states: one by the courts, the

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<sup>1</sup> U. S. Labor Bulletin, No. 126, *Workmen's Compensation Laws of the United States and Foreign Countries.*

<sup>2</sup> *American Labor Legislation Review*, Dec., 1915.

other by industrial commissions. The latter is apparently gaining in public favor. It was adopted by New York, Indiana, Colorado, Nevada, and Montana, all in 1915,<sup>1</sup> after careful consideration of all other modes of administration. It is worthy of notice that these states are geographically widely distributed, which indicates that in five separate political and industrial sections, not closely contiguous, both expert and public opinion favor the commission plan, which necessarily means a departure from the usual mode of administration by the courts.

One of the large purposes of accident compensation laws has been to eliminate the great economic waste of suits at law. Litigation means that the injured workman must pay attorneys' fees, and if defeated in court must bear the cost. Protracted lawsuits are disastrous to the average workman, and under our older laws presented difficulties insuperable to the laborer. Workmen distrust litigation, and in the past this fear has largely nullified the existing statute laws. In fact workers have

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<sup>1</sup> *American Labor Legislation Review*, introduction, Dec., 1915.

been financially unable to bear the expense of court procedure.

The commission plan of administration confers new rights upon the workman. It gives him the opportunity to present his claims before a legal judicial commission without expense to himself; and insures a fair consideration of his case in all details, without the payment of attorneys' fees or court costs. Whether he obtains compensation or not, he suffers no economic loss in the process. The commission plan insures the workman against paying a penalty for the public presentation of his claims.

In some states where new compensation laws have not been passed, the injured workman can obtain no redress for accident except by resorting to litigation. He must place himself in direct antagonism to his employer and *sue for damages*. Such a situation is repulsive. No matter how long the worker may have served his employer, or how faithful the service may have been, no way of relief is open to him except by process at law, with large chances of defeat before him. Thousands of legitimate cases for damages have never been

brought to court, because the workman lacked the courage to take his chances with court, juries, attorneys, and the economic cost. Hence, he bore the burden of injustice in silence.

It should not be necessary for a workman, subordinate in position and habit, suddenly to take a position antagonistic to employer and the industry he has served in order to obtain consideration. Such a situation is disastrous, not only from the standpoint of the workman, but exceedingly more so from the standpoint of employment, industry, and society. Compensation laws voice changing public sentiment on this question. They virtually assert that the injured workman's rights shall operate automatically, and by public sanction be brought before court or commissions for adjudication without expense to the workman.

In addition to the five states adopting the commission plan in 1915, there were previous to that time fourteen<sup>1</sup> operating under similar plans, making a total of nineteen states so operating. The indications are that this plan

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<sup>1</sup> *American Labor Legislation Review*, March, 1915, p. 122.

is growing in favor. The administration by courts is most successful where procedure is simplified by law, and the court is made a place simply for the adjudication of claims, permitting no litigation or controversy.

The common objections made to the commission plan are: first, increased expense to the state; and second, possible frequent changes in the personnel of the commission.<sup>1</sup> The first objection does not take into consideration the great saving in court costs, jury and attorneys' fees, and other expenses incidental to all trials. This saving probably far exceeds any cost to the state of the maintenance of a commission. The second objection does not necessarily hold good, since there is no valid reason why the term of office of commissioners may not easily be as long as that of judges of the courts.

It is not the purpose of this discussion to point out details of operation of either courts or commissions, engaged in the administration of compensation laws; but rather to show the trend of public preference regarding the two methods, and to give emphasis to some ad-

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<sup>1</sup> *American Labor Legislation Review*, March, 1915, p. 123.



vantages of the commission plan, which is the newer and is apparently working satisfactorily in most states where tried. Probably the most successful commission in this country is that of New York, the leading industrial state in the country. John Mitchell is the chairman. Regarding the law which instituted this commission, Mr. John B. Andrews, Secretary of the American Association for Labor Legislation, says: "There is supplied in this law the method for a social program which, when supplemented by social insurance, is practically equivalent under American conditions to that which has been carried out so successfully in the protection of wage-earners in Germany during the past forty years."<sup>1</sup>

The people of the United States evidently believe not only in the principle of compensation, but also that it should be non-contributory, since no laws operative in any state compel contribution by the workman except those of Oregon and West Virginia.

The rate of compensation for incapacity resultant from non-fatal accidents is too low in

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<sup>1</sup> *American Labor Legislation Review*, Vol. 6, No. 1, p. 107.

most of our states. There are 19,000,000 workingmen in the United States who earn an average of less than \$500 annually, who represent with their families more than 60,000,000 people,<sup>1</sup> and these are they who are affected detrimentally when the rate of compensation is below the level of their needs. Mr. Joseph A. Parks, of the Massachusetts Industrial Accident Board, believes that anything less than seventy-five per cent of the wages of the average employee is inadequate for the support of the ordinary family. It is probable that in many cases a compensation amounting to ninety per cent of wages should be paid. A regular rate of sixty-six and two-thirds per cent is now paid in several states, the precedent for which was originally found in the German law.<sup>2</sup> It is also the regular rate in New York State.

It has been a common fault of all of the states that there has been no adequate system of accident reporting. The United States has

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<sup>1</sup> Joseph A. Parks, Massachusetts Industrial Accident Board, in *American Labor Legislation Review*, March, 1915, p. 112.

<sup>2</sup> Rubinow, *Social Insurance*, p. 117.

been notoriously negligent in this respect. Heretofore, it has been impossible to obtain accurate estimates of either fatal or non-fatal accidents in any state in the Union. We have had an area of industrial states where sporadic attempts were made to record accidents. Statisticians have called this region "the registration area," but no persons in the United States have realized the inadequacy of the records of the "area" as have our professional statisticians. All figures regarding the number of accidents annually occurring in the United States have been based on totals taken from the "registration area," and applied by estimate to the entire country.

The absence of accurate accident records in the United States has not only been a serious handicap to the scientific study of many social problems, but it has amounted to a positive indictment of the moral sense of the American people. It is equally true that it stood in the eyes of the scientific world as an unquestionable registration of our ignorance regarding the welfare of wage-earners. Fortunately compensation laws are compelling the reporting of accidents to central authorities whose duty it

is to prepare and preserve systematic records. The day of our negligence is passing. Eight states passed laws during 1915 requiring accident reporting. Similar laws had been previously adopted in other states. A few years of continuous procedure of this nature will place our accident records on a respectable and scientific basis. The resulting benefits will be incalculable, the records will be accurate, and a multitude of indisputable facts will be at hand which will make for still further progressive action.

Required reporting tends to increase *apparent* accidents. Accidents will seem to increase. Reporting will develop to all students of the subject, and to many other classes of readers, that increase in speed of machinery, long hours of work, fatigue, carelessness of workmen, young, inexperienced, or untrained workmen, new prosperous business, extended area of business, and expansion of business activity, all make for increase of accidents. It is estimated by competent authority that sixty per cent<sup>1</sup> of the working population of the United

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<sup>1</sup> Hoffman, U. S. Labor Bulletin, No. 157, *Industrial Accident Statistics*, p. 11.

States are now under compensation laws. This means that accident reporting among these people will increase, and that *apparent* accidents will loom large. This seeming expansion will not cease until reporting laws have been in operation long enough to establish normal scientific accident rates in the various states and industries.

The normal result of compensation laws is toward the lessening and prevention of accidents. The fundamental principle involved is to assess the cost against the industry, or to consider it as a part of the expense of operating the business. In actual practice, the employer pays the compensation for accident, death, or injury. It is to his economic interest to reduce the risk by every available means. The higher the cost of compensation rises, the greater must be the employer's effort to prevent accidents in his particular industry. If he resorts to insurance against them in his factory or place of business, then the rate of insurance he must pay will largely depend on the condition of his plant as regards the safety of workmen.

Compensation laws are the greatest incentive to prevention ever evolved in the history of in-

dustry. "Safety first" signs are not kindly philanthropic efforts to decrease suffering. They are the direct and immediate result of the efforts of business managers to reduce their liabilities under accident laws. No "safety first" signs were ever visible in America until after compensation laws were on our statute books. "Safety first" signs are primarily profit-savers, and secondarily they are life-savers. Compensation will save thousands of families from destitution, and insure a respectable social status and elementary education to millions of children in the United States; but the *prevention* of accidents through the compelling influence on employers of liabilities under the law will probably produce a greater economic saving to society than will money compensation after the accidents have occurred. Prevention is the greater result. It preserves men and families. Accurate figures are not yet available by which to test the effect of these new laws, but they will, when obtained, unquestionably demonstrate an immense economic saving.

The necessity for prevention has already stimulated positive educational effort by in-

dustrial corporations to train the workers to uniform methods of efficient work. The "scientific management" of work as demonstrated by Frederick Taylor, both in the practical promotion of labor efficiency, and in his written work; the writings of Gantt; and also the books of Munsterberg of Harvard, and Thorndike of Columbia University, on the application of psychology to labor and skill; are all coördinate in time with compensation legislation, and are resultants of the same general purpose, namely, the conservation and efficiency of productive labor. This kind of law in America is still in its infancy, but we have already demonstrated that "there is no more important problem in all labor legislation than the efficient administration of workmen's compensation laws."

## CHAPTER IV

### HEALTH INSURANCE

**H**EALTH insurance is the designation common among American students of this subject for what in Europe is called sickness insurance. The advantages of the American phrase is obvious: it places the emphasis on health rather than on sickness, and implies prevention of illness.

Some social efforts for care of the sick and maimed are almost as old as human sympathy. Historically trade guilds and societies made systematic efforts to care for their needy members; but all large social and governmental effort in this direction has developed approximately since the beginning of the last quarter of the nineteenth century. The message of the German Emperor to the Reichstag, in 1881, marks the beginning of the first great governmental effort at sickness insurance in Europe. Other nations had previously instituted government supervision of voluntary insurance;



but Germany first instituted compulsory sickness insurance on a national basis for the working classes.

It is a fact well known to students that the industrial progress of the German nation has been contemporary with the operation of her social insurance. Undoubtedly these factors have been reciprocal in their effects on each other; but the opinion of most authorities on this subject is that social insurance in Germany has very largely created and maintained the efficiency of the working classes. The *Bulletin of the American Chamber of Commerce in Berlin*, December, 1915, says: "Compulsory workmen's insurance has raised the working classes in Germany in respect to health, economy, and standing in the community, and it is clear that, with their aid only, Germany has maintained her position in the markets of the world. And, furthermore, hundreds of thousands now fighting on the field of battle for the fatherland may trace their health and capacity to the timely and proper treatment received with the aid of sickness insurance." These words emanated from Berlin; but they came from the American Chamber of

Commerce, which fact frees them in large measure from the charge of prejudice.

European effort regarding health insurance has been a result of careful consideration of the social desirability and necessity for such action. The consensus of governmental opinion is made clearly evident by the fact that in 1915 Germany, Austria, Hungary, Luxemburg, Norway, Servia, Great Britain, Russia, Roumania, and Holland all had compulsory laws on this subject.<sup>1</sup> The comprehensiveness of the laws varies in these different countries; but the compulsory principle prevails in all.

The British law adopted in 1911 includes all manual laborers between the ages of sixteen and seventy. Other workers such as clerks and agents are compelled to insure if their earnings are less than \$800 annually. Some employments are excluded, but despite this 13,743,000 persons were insured, or approximately thirty per cent of the total population, under the first year of the operation of the law.<sup>2</sup>

Countries vary in the distribution of the

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<sup>1</sup> Commons and Andrews, *Principles of Labor Legislation*, p. 387.

<sup>2</sup> *Ibid.*, p. 380.

### 34 *Social Insurance in the United States*

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costs of insurance. Germany collects two-thirds of the premium from the employer and one-third from the worker. In some countries the cost is distributed between the employer, employe, the city, and the state. Frequently, but not in all cases, the employe's contribution rises and falls accordingly as his wages increase or diminish. The English law adopts a fixed uniform rate of payment by insured men, and a rate of one-fourth less for insured women. However, a reduced rate is given to workers receiving less than sixty-two and one-half cents per day.<sup>1</sup>

The general principle of social insurance for workers is already accepted in the United States. The thirty-three states now operating under accident compensation laws make this fact evident. The geographical extension of such laws is probably only a matter of time. Health insurance is comparatively a new idea to the American people, and has only recently come practically before us for public consideration and discussion. By reason of the compensation laws now on our statute books, and

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<sup>1</sup> Commons and Andrews, *Principles of Labor Legislation*, p. 389.

the growing public appreciation of the social significance of them, the American people will probably recognize health insurance or sickness compensation as a legitimate and desirable extension of the general principle of social insurance for working classes.

Disability from accident, and disability from sickness, are from the economic viewpoint of the worker not different, but identical. In either case the result is loss of wages, and for most workers resulting deprivation. Massachusetts considers contracted occupational diseases as equivalent to accident in industry, and has been regularly paying compensation under its present law. California amended her law in 1915 to permit compensation for occupational disease. Pennsylvania has amended her constitution to permit the passage of a similar law.<sup>1</sup> When sickness of the worker is a result of his employment, neither the nature, the degree, nor continuance of illness can properly be made a reason for rejection of the compensation principle. All such cases should be treated as resultants of the industry, and

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<sup>1</sup> Commons and Andrews, *Principles of Labor Legislation*, p. 381.

charged against it as part of the operating cost.

There probably is no industry that is not either directly or indirectly the cause of some degree of sickness. Overwork of any kind results in depletion of energy and lowers resistance to disease. Insanitary conditions of work places, bad ventilation, poor light, impure drinking water, and many other conditions are frequent causes of illness. Low wages and poverty resulting therefrom are the sources of a prevalent low vitality among large numbers of workers and their families, and the cost of sickness resulting from such conditions ought not to be borne by the impoverished workman and his family; the industry should assume the cost. Dr. Henry J. Harris, Chief of Documents, Congressional Library, Washington, D. C., in the *Washington Star*, November 24, 1915, says: "The burden of sickness now borne entirely by the workman, it is estimated, is responsible for fully one-third of the poverty of this country."

Concentrated, specialized, intensive industry is a constant drain on the vitality of workers. The strain of specialized routine labor is not

decreasing. On the contrary it is increasing, and is made evident in the increase of neurosis of the heart and neurasthenia among many industrial workers. The increasing complexity of industrial processes, growing minuteness of the division of labor, the improvement and extension of machinery, physical expansion of great working plants, and the massing of great bodies of workers, create a condition in which the individual laborer exercises only a minimum control over possible injuries to either his body or health. He must depend on the management and supervision of the industry for his protection. Literally his life, health, and welfare are in their hands. If he is intelligent he appreciates the possible danger from accidents that are sure to occur periodically, even in carefully managed industry. Regarding possible health dangers he knows little. He is morally more entitled to health protection while at work than to accident protection; because his intelligence is less regarding the first than it is of the second danger. For the same reason he is more entitled to compensation for illness resulting from work or working conditions than he is to compensation for accidents.

Modern industry in America must assume more responsibility for the general welfare of its workers. Such is the trend of opinion of expert students of social problems, and such is the growing opinion of the intelligent public. A business that cannot economically assure the safety and health of its employes, ought not to continue. It is inefficient business, and must either achieve efficiency or go the way of the unfit, namely, elimination.

The sick workman is peculiarly a fit subject for compensation by the industry in which he has labored. His energy has gone into the business. He has been a steady contributor to its progress, and has literally been a necessary part of it. In his illness, has he no claim on the organization into which his time, strength, and energy have gone? Under present practice in this country, if he is in need he frequently becomes a public charge. Society acknowledges and assumes the burden of his support directly, thus encouraging irresponsibility on the part of all private concerns. The practice is neither morally just nor economically sound. The responsibility for the care and speedy recovery of sick working people

should fall first on the specific industry to which the worker belongs. It should first bear the economic burden, add the expense to the cost of production, and eventually distribute the cost to society in the price of the manufactured commodity; and if the resultant prices threaten the success of the business, the recourse is—prevention—reduce the causes of disease and accident. This process is rational and constructive in its social tendencies; and there is no good reason why it may not operate constructively and profitably for intelligent private industry.

Authorities on economic losses from disease in America differ somewhat in detailed conclusions, but concur unanimously in the enormous waste resulting from our indifferent and negligent social attitude in this matter. The greatest study of this problem in America was made by Professor Irving Fisher, of Yale University, in his *Report on National Vitality* to the United States Government in 1909. The social results of illness in the United States are far more serious than the results from accidents. Professor Fisher says that 3,000,000 persons are continuously ill, and that of these,



1,000,000 are in the working period of life; and he estimates \$500,000,000 as the minimum annual loss in earnings. To this he adds \$459,000,000, the annual cost of sickness expenses as estimated by the United States Bureau of Labor, making an approximate total of \$959,000,000 as the annual cost of illness in the United States. He considers a saving of \$500,000,000 possible by proper attention to prevention of disease.<sup>1</sup>

On the basis of European figures it is estimated that forty per cent of the workers of this country suffer from illness every year, and that the total time lost through this cause, distributed over the entire industrial population, averages about nine days per person. Upon this basis, the loss in wages, medical cost, and loss to the employer total nearly \$750,000,000 annually, most of which falls on the employes.<sup>2</sup>

Physicians know that many diseases are preventable. Expert knowledge and practice has virtually eliminated yellow fever, cholera, and smallpox, and it is highly probable that nearly one-half of the illness now prevalent in the

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<sup>1</sup> Adapted from Seager, *Social Insurance*, p. 44.

<sup>2</sup> Commons and Andrews, *Principles of Labor Legislation*, p. 394.

United States is preventable by known scientific means. There is lacking only a strong economic incentive to induce the necessary application of proper methods. It seems highly probable that special health insurance may furnish the necessary stimulus. Private effort reduced the fatalities from typhoid in the United States from 43.3 in 1890 to 25.3 in 1908. In some cities it was reduced to 10. In Europe, in 1907 the rate in London was 5, Edinburgh 2, Paris 8, The Hague 11, Berlin 4, Munich 3.<sup>1</sup> America can do as well, if it so desires.

The strain of modern industry on routine workers is excessive in many cases. Physicians and medical societies know that the health conditions of many American working people are on the average not improving. E. E. Rittenhouse, President of the Life Extension Institute, of New York, in an address before the Washington, D. C., Board of Trade, said: "Evidence found in the mortality records indicates a marked decline in the power of American workers to withstand the strain of modern

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<sup>1</sup> Seager, *Social Insurance*, p. 39.

life." He then says that the reason for this condition is the increased prevalence of diseases of the heart, arteries, kidneys, and of the nervous and digestive systems. He adds that these are diseases of old age, but that they are gradually "reaching down into middle life and below, and increasing there, and apparently at all ages." Particularly significant for our purposes in this discussion of health insurance, is Mr. Rittenhouse's statement: "These slowly developing afflictions are not only reducing the working, productive period of life, but they are lowering the working capacity of the individual often before he realizes it, or recognizes the cause. They are responsible for accidents, for damaged machines, spoiled goods, and other costly errors. They are the concealed enemies of alertness, accuracy, and efficiency. Therefore every employer, small or large, is financially concerned in checking the ravages of this steadily advancing enemy."

Health insurance probably will cultivate the practice of the physical examination of prospective employees in many industries, and may easily develop a similar practice in all work where special physical fitness seems requisite.

At present there is developing among workmen a marked opposition to physical examination of employes by the management of industrial concerns. Present interest is keen among workingmen regarding this practice. Objections to examination are due largely to fear of discharge, especially on the part of those who might, perchance, be adjudged physically unfit to perform the work in which they are now engaged. Fear of error in examinations is probably likewise operative to produce opposition by the workers. Another unavoidable factor will be the element of sympathy on the part of working people for such of their number as might not be permitted to continue in their present employment as a result of physical examination. This question is at present intricate, difficult, and comparatively untested in any large degree in its general social effect. It will be, and is now, a subject for large controversy.

It cannot be wisely denied that periodic physical examination, and medical and hygienic advice to all citizens would extensively promote public health and the general efficiency of all workers in whatever business they may be en-

gaged. The only question of large import inheres in the general motive behind the examination. If the motive is to increase the efficiency of the industry, by raising the efficiency of the workers through health, advice, and guidance, and if such is the actual practice through systematic periodic examination of workers, and places of work, then opposition will gradually disappear.

Health insurance, once accepted in principle and instituted in practice, becomes a continuous social force for the general betterment of the economic conditions of all working people. It is not simply a temporary effort at health improvement, nor is it an experiment merely to raise the economic efficiency of either individuals or of industry; but it is a well-defined effort to promote the efficiency of all persons and all interests concerned, for a long period of future years. It seems highly probable that most objections now urged against health insurance will disappear within less than a generation of time. Such has been the history of the movement in all countries where tried.

Under any examination system that may be devised, some workers will be found who, for

reasons of health and their own welfare, ought to change employment. In all such cases the workman should be protected against economic loss. In large measure, he must be so treated, either by provided change of work or by participation in insurance fund benefits. The general principle of exclusion from some industries of persons to whom such work would prove detrimental is well established in law in America. "Physical qualifications established by law are of four kinds: (1) reasonable immunity from the trade malady characteristic of the employment; (2) freedom from a trade malady contracted in the course of employment; (3) freedom from a contagious disease which might be passed on to other workmen or to consumers of the product; (4) freedom from physical defect of such nature as to interfere with the proper performance of duty."<sup>1</sup> Examination, registration, and licensing of many classes of workers and professions are now required by law. The principle involved is well established, and the only question remaining is the possibility of further proper and just

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<sup>1</sup> Commons and Andrews, *Principles of Labor Legislation*, p. 320.

extension of a principle already in wide operation.

Health insurance will encourage the extension of the examination system; to what extent, it is impossible to predict; but probably, once instituted, it will be enlarged eventually to include the majority of all workers. The reflex influence of such systems on the training and preparation of industrial workers will be discussed in a following chapter.

The fitness of men for their particular occupations is a matter of supreme social and individual import. If health insurance induces a general practical consideration of this question, and if our intelligence is equal to the solution of a few very pertinent and present difficulties, it may lead us to social adjustments which we have heretofore thought desirable but impractical, and it may be well to remember that "impractical" usually means lack of knowledge. We ought to be able to eliminate possible abuses that might attach to physical examination of workers by employers. Health insurance might be wisely administered by expert commissions, or by state departments with adequate control of all examinations desirable

or authorized under the law. Health insurance is primarily intended to improve the economic conditions of the laboring classes, and no competent public authority engaged in the administration of such law would long tolerate any unwarranted checking of the purposes of the law.

The most promising activity to place health insurance laws on the statute books has been in New York, New Jersey, and Massachusetts. The bills before the legislatures of these three states were the same in substance, all being modeled after the tentative draft made by the committee on social insurance of the American Association for Labor Legislation, the second edition of which was published in December, 1915. The Association publishes a summary of the leading features of the law which reads as follows:

This bill makes health insurance universal for all manual workers and for others earning less than one hundred dollars a month. The insurance is obligatory.

Benefits to be provided are medical, surgical, and nursing attendance, including necessary hospital care, medicine, and supplies; a cash benefit beginning on the fourth day of illness, equal to two-thirds



of wages, and given for a maximum of twenty-six weeks in one year; and a funeral benefit of not more than fifty dollars.

Cost of these benefits and their administration, amounting to about three per cent of wages, is to be borne two-fifths by the employe, two-fifths by the employer, and one-fifth by the state.

Administration is to be vested in mutual associations of employers and employes organized according to localities and trades, and managed jointly by employers and workers under the general supervision of a state social insurance commission.<sup>1</sup>

This pioneer health insurance bill was carefully drawn by professional men fully informed on all phases of European health legislation and administration, and who are professional students of social, political, and industrial conditions in this country. The bill is thus the consensus of well-considered opinion of a group of experts. If it stands the test of legislative discussion, and is enacted into law in all or any of the three states, it will inaugurate a nation-wide practical consideration of its value. In the light of European experience such law has large probability of great success in America.

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<sup>1</sup> Information sheet, issued by American Association for Labor Legislation.

Public opinion in the states above mentioned is probably fairly reflected by the following comments of representative newspapers:

The *New York Press*, January 17, 1916, says: "It is the belief of the United States Public Health Service that thirty-five per cent of the workers of the country must ask for public or private charity when disabled by disease or weakness. . . . Whether the legislators of New York and Massachusetts take the German or American estimates supplied to them, they probably will realize the extent of the devastation that sickness brings to the United States, and take action."

The *New York Sun*, January 29, 1916, says: "The provision of medical care alone promises much for the prevention of sickness through detection of incipient diseases."

The *Insurance Advocate*, February, 1916, says: "There is a great need for a law of this kind. The average wage-earner cannot afford to carry health insurance, and, when laid up, is cast on the state institutions for treatment. Ultimately the public pays the bill. That the state should pay part of the expense is a move in the right direction. By helping this class

of people in this manner there should be a big decrease in applicants in need of charitable assistance, and we believe that the state will be more than repaid for the amount paid on premiums. The employer is to pay forty per cent of the premium. This is also right, especially where the wage-earner is able to make out a bare living. What is more, a careful investigation would show that conditions imposed upon many workmen are responsible for much of the sickness . . . . and it is only fair that the employer under such conditions should be responsible for the health of his employes."

Governor Hiram M. Johnson, of California, appointed a state committee to investigate social insurance, and in a report submitted January 25, 1917, it says:

Health insurance offers a sensible, practical method of eliminating in part the most distressing features of the present social system, economic dependency and charitable relief. Health insurance would distribute a burden which now means hardship, suffering and lavish public expenditure, in such a way that it would be a burden no longer.

Through its beneficial effect upon two-thirds of the population, health insurance would mean a tre-

mendous gain in public health. Health insurance of wage-earners would mean a tremendous step forward in social progress.

A Massachusetts state commission appointed by the governor made a report on February 12, 1917, in which it recommends compulsory, contributory workmen's health insurance legislation, with private stock companies operating for profit excluded from the field; and Governor McCall, in his address to the legislature on January 4, 1917, said:

I am strongly of the opinion that there is no form of social insurance that is more humane, sounder in principle, and that would confer a greater benefit upon large groups of our population and upon the commonwealth as a whole, than health insurance. . . . I recommend that you establish a compulsory system with a reasonable benefit during the period of sickness, and that the system be made to include members of the family, as is done in many of the German funds.

## CHAPTER V

### PREVENTION — MEDICAL AID AND ORGANIZATION

**T**O PLACE compensation laws on the statute books of our states requires much carefully directed effort. The effort of the expert implies long study of the historical aspects of the question, and finally the adjustment of his knowledge to the social and industrial conditions existing in the new country or state in which the theory is to be tried. All this, however essential it may be, is laboratory work only. The practical test comes when the law is placed in operation. The proof of the law is largely in its administration. When compensation law becomes effective it is quickly apparent to employers that failure to observe it means high cost of operation and consequent expensive production of goods, which in turn necessitates obtaining higher prices in the market, and this means inevitably a loss of competing power against firms whose compensation

expenses for any reason are lower. It thus becomes quickly apparent that the surest and greatest protection of the employer and the business is the *prevention* of accidents and sickness among workmen. Under compensation careless management in these particulars is doomed to suffer. Employers must develop effective modes of prevention. There is no alternative. This means the thorough protection of workers by so guarding machinery that accidents shall be reduced to a minimum. Injuries so avoided mean an economic gain. Every effort at sanitation of work places, physical examination, and medical advice to employes, means the reduction of sickness, and a consequent economic gain to the industry.

*Prevention* is the economic safeguard to all industrial concerns operating under compensation laws. It cannot wisely be ignored. It becomes a compulsion. It is true that the cost may be passed on to society in the price of manufactured goods; but if the price be too high, the goods cannot be sold. Consequently, *prevention* is the only recourse of employers. It is not possible at present to quote exact estimates of the effect in America of preventa-

tive measures on mortality and disability; but "the mortality among members of German sick-benefit societies has decreased from ninety-nine per ten thousand in 1890 to seventy-eight per ten thousand in 1908,"<sup>1</sup> and this is probably due in large measure to sickness compensation and resulting medical aid and advice.

Under health insurance the general public will be quick to notice the immediate results: the money payment to the worker or the family, medical aid, relief of distress, visible administration of the law—all these will be commonly apparent and appreciated by the public mind. However, compensation laws are not relief measures primarily, notwithstanding the immediate evidence of such result. The public will see the relief, but the professional student will look for and carefully estimate more ultimate results. It is probable that social insurance, once in general effect in the United States, will markedly affect the social welfare of large portions of our working population. Its results will be manifested in greater efficiency in industry, increased demand for education, in-

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<sup>1</sup> Rubinow, *Labor Legislation Review*, June, 1913, p. 168.

creased extent and efficiency in public instruction, particularly industrial and trade schools, the development of social welfare work to high professional standards, and the extension of social control toward the systematic elimination of all large sources of disease, vice, extreme poverty, and crime. These latter results will probably follow social insurance, and particularly health insurance, because of organized, systematic regular official observation and study of conditions in the lower strata of society, and the consequent reaction of such study upon all organizations for social betterment. The general tendency will be to professionalize both public and private work of this nature.

Health insurance implies great changes in medical service among large numbers of people. Assuming that health insurance is soon to become operative in many states, it is legitimate to expect extensive interest in this subject among physicians. It is not the purpose of this discussion to consider the economic interest of medical men, but rather to emphasize the immense scientific value of concentrated attention on the health insurance problem by the entire body of educated



physicians in America. They are highly professionalized, and the marvelous advance of medical science within recent years has won for them a degree of public respect and confidence probably unequaled by the recent accomplishments of any other branch of science. Health insurance will place before physicians the possibility of expert medical service where it is most needed, where before it has not operated coextensively with the need; and more than this, the large increase of contact of educated physicians with the homes and living conditions of millions of people of low income would tend to develop knowledge of large and specific value to every public organization in operation for the welfare, wise control, and education of the common people.

I. G. Gibbon, speaking of physicians in Germany, says :

Recent developments have brought the medical profession into the full stream of economic development. Doctors have at least learned the significance of the strike and the boycott—and incidentally have gained a deeper insight into, and sympathy with, the difficulties which confront the working man, and the devices to which he has to resort, than they ever had before. . . . Educated above the standard of the

workman, gifted in most cases by the very nature of their work with a rich fund of public spirit, freer from the trammels of capitalist restraint, they can respond more quickly to the needs of modern conditions than the average workman and can thus fashion out new models of organization while he is still painfully groping his way in the darkness.<sup>1</sup>

The constant attention of large numbers of physicians upon living problems of the working classes will inevitably find expression in the work of the great national medical societies, where scientific opinion of high order will be brought to bear upon health insurance problems. The opinion of the medical profession will find lodgment in the minds of many other trained men. It will tend gradually to find its way thoroughly and comprehensively into the minds of all informed people, and constitute a common knowledge for all thinking people.

The educated classes ought to be, and very largely are, the pulses of social progress. What they truly desire can be accomplished. The remarkable progress of Germany has largely emanated from her universities, and been

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<sup>1</sup> Gibbon, *Medical Benefit in Germany and Denmark*, p. 219.

directed by her educated men. The world realizes today in fuller measure than ever before the effectiveness of her program. Intelligent opinion in America, if it can be directed toward a common ground for the consideration of social problems, will ultimately arrive at fundamental agreements regarding principles of progress. The enlistment of physicians in the practical work of health insurance will tend to stimulate a wider consideration of not only health insurance, but of all forms of compensation and insurance laws, and gradually to create a rational social program for America.

Health compensation probably will prove more far-reaching in its social results than accident compensation is likely to do. The national economic cost of accidents is much less than that of sickness. (Comparative estimates have already been made in preceding chapters.) This means that the larger aggregate of money will be paid for sickness, and consequently that a correspondingly greater effort will be made to prevent it. Careful scientific effort at prevention of illness can give ultimately more perfect results than can effort to

prevent accidents. The reasons for this assertion are: (1) that biologically the human body has made no appreciable special adjustment of its functions to modern industrial processes; nor could it in the brief period of a century of development of mechanisms. The nervous system remains appreciably unchanged. "Human nature can't be measured by machines," and it changes with infinitesimal slowness. Consequently many accidents are and will continue to be unpreventable by reason of the inability of human muscular and nervous systems to adjust more perfectly to artificial devices. (2) Many hidden defects of machinery cannot be known. Materials are faulty, and construction is imperfect. (3) One man, frequently, through no ascertainable or preventable fault of his own, places in peril thousands of other workmen. By these and still further similar reasons we are forced to the conclusion that there is no immediate or near future prospect of lessening an appalling number of *necessary* industrial accidents. They are a permanent feature of modern life.<sup>1</sup>

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<sup>1</sup> E. H. Downey, *History of Work Accidents in Iowa*, p. 5.

Every factory will yield its toll of accidents that necessarily defy the most skillful modes of prevention.

The same strictures cannot be made against the possible prevention of sickness. It is commonly recognized that scientific medicine and surgery stand incomparably high in power of prevention of human suffering in their particular fields of work. In the entire range of social insurance no field of preventive work is so promising as health insurance. It will save money, but what is greater, it will save human lives.

Health insurance accomplishes effective teaching of more people in its operation than does any other form of social insurance. Accident insurance carries its inevitable toll. Old-age insurance is necessarily limited in results. Unemployment insurance is of desultory nature and periodic in character. Health insurance saves the multitude.

Some errors in its early development in America are inevitable, but we have the European experience of a generation to guide us. Hospitals, sanatoriums, and dispensaries will be increased, both public and private. We need

not repeat what Dr. F. Friedensburg<sup>1</sup> considers the German error of too lavish expenditures in the erection of institutions for the treatment of disease. Health insurance commissions will eventually assume some degree of control of medical service, organization of medical aid, choice of physicians, reporting of cases, registration of the same with treatment, and duration and cost of service. Large industries will inaugurate medical departments with regular service to employes on an extensive scale. These efforts will mean large expenditures of money; but it should be remembered that each and all of these many activities will operate for the prevention of disease, thus effecting an economic saving of immense proportion, and eventually in excess of any probable expenditure.

The cost of insurance falls first upon the employer. It becomes his special interest to prevent all unnecessary waste of life power, either by accident or sickness. Scientific prevention becomes the only solution of the problem. Eventually society bears the expense

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<sup>1</sup> *The Practical Results of Workingmen's Insurance in Germany*, p. 25 (pamphlet).

of preventive effort; but the loss becomes a profit in the conservation of human resources. The cost of prevention will enter beneficially into the lives of the workers. This fitting distribution of wealth may easily raise the productive power of industry beyond any past accomplishment in America, and while the percentage of wealth to the worker will be raised, the aggregate share to capital may be largely increased. Health insurance will mean working energy better trained and more profitably productive than has ever been known in the history of American industry.

## CHAPTER VI

### UNEMPLOYMENT

**U**NEMPLOYMENT presents many intricate problems, but men of science are largely agreed that these problems are not insolvable. Statistics are imperfect; industries fluctuate in their demand for labor; seasonal trades make large demands which disappear as the trade closes; industrial crises move in cycles, and no theory adequately accounts for them; mechanical improvements frequently bring unemployment to even skilled workers; sickness, accidents, lack of training, and other causes all combine to produce a constant body of unemployed industrial workers. But no cause is incapable of partial control, and some causes are eradical.

Most authorities agree that there is not, under normal conditions, a superfluous body of working people, when considered from the standpoint of national industrial need. There are large bodies of workers fluctuating between



various places of employment constantly. The loss of time and energy involved is necessary under the present organization of business.

The immensity of modern manufacturing, trade, and transportation demands the labor of millions, and they are the essential basal element. If the conditions of industrial production are such that it demands a constant reserve force of labor, represented by ever-varying groups of workers, either waiting in different work centers or in transit from place to place, then it is entirely possible that the burden of waiting and change should not be borne entirely by the individual worker. The opinion grows in many centers of scientific thought that this burden of economic loss of time should be borne in part by the industries that cause the waiting and displacement of workers.

It is true that fluctuations in the demand and supply of labor cannot be eradicated. Neither is it desirable that they should be. Professor John Bates Clark, of Columbia University, says: "In the actual state, which is highly dynamic, such a supply of unemployed labor is always at hand, and it is neither

possible nor normal that it should be altogether absent. The well-being of workers requires that progress should go on, and it cannot do so without causing temporary displacement of laborers."<sup>1</sup> If there were no free workers, no new business could be started, and no extensions of established business would be possible. Progress is impossible without change, and new work or added work inevitably means change for some people. While this does not necessarily always mean suffering, many times it does bring positive economic loss. Progress of industry and society ought not to mean loss of time and economic deprivation to the worker. If industry profits from the "reserve" mass of unemployment, and necessitates the "reserve," then it ought to assume economic responsibility for what it causes. Whatever the general economic loss accruing from the "reserve" forces of labor, the cause does not inhere in the workers. It is plainly evident in the fluctuations of industry. ✓

The experience of financial depression in the United States during the winter of 1914-15

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<sup>1</sup> J. B. Clark, *Essentials of Economic Theory*, p. 452.

afforded a superior opportunity for study of unemployment. The necessity for coping with the problem was absolute. Public interest was at high tension. The work done was practical and efficient; but the problem was an abnormal occurrence. The cause was definitely known. The European war had blocked the currents of international business. Nevertheless, the practical contact of many professional minds with a definite national problem of unemployment stimulated much discussion and a wider interest, both professional and popular, in the scientific aspects of the entire question. One direct immediate result of the work of 1914-15 was the provision for public employment exchanges by six states and the establishment of municipal employment bureaus by many cities.<sup>1</sup> Another important result was the creation of employment opportunities through the cooperation of the Post Office Department and the Department of Labor of the Federal Government. This was a decided departure from the usual conservative attitude of the United States Government. President Wilson, in his address

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<sup>1</sup> *American Labor Legislation Review*, introduction, June, 1915.

at Indianapolis in January, 1915, said that he considered the effort of the Department of Labor to deal with the unemployment problem as one of the greatest results of his administration.

The study of the situation revealed more fully than ever before to the public what was already known to expert statisticians, namely, that statistics on unemployment in the United States are in a chaotic condition, and in many industries and in many localities do not exist. In other words, the national economic losses from unemployment cannot be computed except by estimate. It is probable that this condition will continue until some motive arises to induce reporting and recording of the unemployed. It is frequently asserted that it is impractical to place any form of unemployment insurance on a scientific basis, because the lack of statistics renders impossible the computation of risks. Statistics can be obtained and systematized if states so desire. Unemployment insurance presents more intricate problems than any other form of social insurance, but this does not render them insolvable. The reporting of accidents in industry is producing

systematic records. Required reporting of unemployment would in a few years develop reliable statistics on this subject. The facts exist. All that is needed is system in obtaining and arranging them.

Unemployment probably is not due to over population. Business has increased more rapidly in the United States than has population. "The number of ton-miles of freight carried over American railways nearly trebled from 1890 to 1909, the increase being from 77,000,000 to 219,000,000,000. The total amount of bank clearings in the United States likewise nearly trebled in the twenty-year period between 1890 and 1910, . . . thus, while the economic activities of the people of the United States have trebled during the past twenty years, population has increased by less than one-half."<sup>1</sup>

Immigration is sometimes a cause of unemployment in particular localities. Congestion of foreign laborers is not an uncommon occurrence, and is specially apparent in some large industries in times of business depression. The

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<sup>1</sup> Hourwich, *Immigration and Labor*, p. 83.

United States Commission on Immigration reported in 1911 that there existed an over-supply of unskilled labor in the United States, made up principally of recent immigrants, and recommended restriction of immigration by a literacy test. However, two presidents of opposite political parties have vetoed "literacy bills," indicating apparently that these executives did not find themselves in agreement with the committee. Figures are not available whereby to either affirm or deny the findings of this committee. However, the United States Bureau of Immigration has recently put plans into operation toward a wiser geographical distribution of immigrants.

Unemployment is not the experience of populous states only, but is suffered to the same degree by the least populous. "Sparsely settled states have just as acute problems of unemployment as the states with large populations. It is the irregularity of unemployment and unsteadiness of income that gives us our problem, not the size of the population. Instead of a permanent army of the unemployed, we have shifting, intermittently employed reserve labor forces, whose members are constantly

changing, so that fully half the wage-earners are in the reserve for part of the year. Unemployment is a constant and inevitable risk for almost all working people, and not a problem of a permanent surplus of workers beyond the country's needs."<sup>1</sup>

It is commonly believed that unskilled labor runs more risks of unemployment than does skilled labor. Mr. Streightoff, from his study of the census of 1900, gives the following: "Among those having the greatest proportion of idleness are glass-workers, plasterers, masons, brick and tile makers, paper-hangers, laborers, miners and quarry-men, painters, glaziers and varnishers, carpenters and joiners, etc. The figures, therefore, do not show an excessive liability to lack of work among the unskilled."<sup>2</sup> The above indicates a greater fluctuation of skilled industry than of unskilled industry.

The greatest cause of unemployment in America is the fluctuations of industry. Agreement in this particular is common among all

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<sup>1</sup> Quoted by W. M. Leiserson of Toledo University, in *Political Science Quarterly*, March, 1916.

<sup>2</sup> Streightoff, *Standard of Living*, p. 40.

students of the problem. Examples of fluctuation are numerous, but a few must suffice for our purpose.

"The United States census of 1900 showed that 6,468,964 working people, or nearly twenty-five per cent of all engaged in gainful occupations, had been unemployed some time during the year. Of these 3,177,753 lost from one to three months' work each; 2,554,925 lost from four to six months each; 736,286 lost from seven to twelve months each."<sup>1</sup>

"The New York State Department of Labor collected reports each month during the ten years 1901-1911 from organized workmen averaging in number 99,069 each month, and found that the average number unemployed each month was 14,146, or 18.1 per cent."<sup>2</sup>

"The federal census of manufacturers for 1905 shows that in one month 7,017,138 wage-earners were employed, while in another month there were only 4,599,091, leaving a difference of 2,418,047. That is to say, nearly 2,500,000 workers were either unemployed or com-

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<sup>1</sup> *American Labor Legislation Review*, introduction, June, 1915.

<sup>2</sup> *Ibid.*



pelled to seek a new employer during the year. These figures were drawn from the manufacturers' own records."<sup>1</sup>

Professor Scott Nearing in the *Quarterly Publications of the American Statistical Association*,<sup>2</sup> says: "From the carefully worked out Commissioner's (U. S. Labor) figures it is apparent that among the average group of workers earning less than \$750 the possibilities are that in a normal year one man in every two will be unemployed, and that the unemployment will average sixty days, or one-fifth of the total working time. In a normal year the average wage-earner under \$750, therefore, has one chance in two of losing one-fifth of the working time."

Mr. I. M. Rubinow, using the figures of the New York Bureau of Labor concerning New York trade unions, says that the percentage of union workers unemployed at the end of September fluctuated between 4.7 per cent in 1899 and 22.5 per cent in 1908; and at the end of March, between 9.9 per cent in 1906 and 35.7

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<sup>1</sup> *American Labor Legislation Review*, introduction, June, 1915.

<sup>2</sup> Vol. II, p. 534.

per cent in 1908. "No European figures of unemployment reach anything like such heights. The problem of unemployment, therefore, appears as a particularly serious problem in the United States."<sup>1</sup> In France, a census in 1901 showed a little over 3 per cent of unemployment; in 1908, a year of depression, trade unions show a fluctuation of unemployment from 7.8 per cent to 11.9 per cent. In the United Kingdom, a report from several hundred trade unions show fluctuation from 7.8 per cent to 11.9 per cent for 1908, a year of industrial depression.<sup>2</sup>

Authorities agree so unanimously regarding the causes of unemployment that a lengthy discussion of this phase of our subject is unnecessary. The larger questions concerned are those of responsibility and remedies. Unquestionably there are some seriously inefficient, defective, and both physically and morally unfit workers; and these may be properly classed as the unemployable element. Modern industry is not responsible for this class of people as a whole; but it is responsible

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<sup>1</sup> Rubinow, *Social Insurance*, pp. 445-6.

<sup>2</sup> *Ibid*, p. 444.

for conditions of industry which tend to produce such people. Many unemployables are not the result of biological defects, but are rather the sociological product of lack of organization of industry. It is entirely possible that employers should assume more moral responsibility for the welfare of their workmen. The human waste of industry is greater in the United States than in any other civilized country. Comparisons already made in our discussions of accident and health conditions, added to comparisons made regarding unemployment in the United States and European countries, make further proof of the foregoing statement unnecessary.

Dr. Devine, of Columbia University, says: "The individual employer, it is true, may be able to keep his working force efficient though the units in it change rapidly. He scraps his machinery at his own expense, but heretofore he has been allowed to scrap his labor at the expense of the families of the laborer and the charities of the community."<sup>1</sup> And he later adds: "Casual labor is the greatest of all mal-

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<sup>1</sup> E. T. Devine, *Misery and Its Causes*, p. 130.

adjustments. The man who changes constantly from job to job, with periods of idleness between, comes to every job demoralized unskilled, unsteady, and unfit. But casual labor, as matters now stand, is still demanded in some industries. It is a convenience to the employer, and that from the broader point of view it is an economic and a social maladjustment does not occur to him, or if it does he declines to see why the burden of bringing about an adjustment should fall upon him. It is the employer, therefore, who in the first instance needs readjustment.”<sup>1</sup>

Irregular industries have never borne the full cost of the “reserve” of labor which their necessities hold in waiting. Casual labor and unemployment have not very largely been matters of concern for employers. Nevertheless they are forms of specialization of labor *in time*, and in kind. It is a specialization required of the worker apparently at present in the interest of industry. Specialization in skilled work operates commonly in the interest of the individual so specializing, as well as to

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<sup>1</sup> E. T. Devine, *Misery and Its Causes*, p. 131.

the interest of society whom he serves. The basal principle involved is not different in the case of the more common worker. It should not reverse itself in his case, to his loss.

Output of industry is very frequently checked in order that prices and profits per unit of production shall not be reduced. Checking output in any industry, for any reason, means lessened employment of labor. It produces unemployment; and this practice for the above-named purpose is not uncommon. It is well known that many companies prefer to produce less goods at higher price, rather than more goods at lesser price. From the standpoint of the producing company this appears "good business." However, socially it is decidedly bad business, in a double sense: (1) it reduces labor, and thereby produces unemployment; (2) it raises prices of commodities, thus increasing the cost of living. This practice is prominently open to adverse criticism from a just social standpoint. Whatever else might be said, it is unquestionably a source of considerable unemployment. It is not only quite common in manufacturing industries, but is extensively operative in agricultural production.

Every year some crops remain unharvested, purely as a result of the manipulation of men of the market to handle lesser goods at higher price. In every case it means a lessened employment of labor. Wherever unemployment is so caused it amounts to an inexcusable economic waste, and is open to just social condemnation. Mr. Charles E. Reitzel, of the University of Pennsylvania, speaking of the curtailing of output to enhance prices, says: "Viewing it as the consuming public must, the whole system is becoming cumbersome, chaotic, and unworkable. There is no greater condemnation of modern industry than the travesty of an able competent *idle* worker standing beside a huge magnificent *idle* plant. Here is social inefficiency raised to the *n*th power."<sup>1</sup>

A cause of unemployment closely related to the foregoing is lack of organized selling facilities of many productive industries. Sales are in most cases confined to an expected selling season, which is largely made by the traditions of the trade, and small or no attempts

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<sup>1</sup> *Annals of the American Academy of Political Science*, Vol. 59, p. 127, May, 1915.

are made to stimulate or foresee trade possibilities outside these restricted periods. It is entirely possible so to study potential trade conditions as to foresee and obviate to a considerable degree the sudden fluctuations of employment which now occur in many industries. Mr. Morris L. Cooke, Director of Public Works of Philadelphia, says: "In one shoe concern they have a special department which during dull seasons makes standard lines at a somewhat reduced cost. These goods are disposed of through special selling agencies, and are manufactured only to equalize the load and to keep men employed when otherwise they would be laid off. This same concern has six men in the field in different parts of the world studying and trying to anticipate, as far ahead as possible, the demands of the market. These men do not sell. They simply observe trade conditions in order to get the earliest possible notice of either a heightened or lowered or changed demand. This reduces the cost of unnecessary manufacturing. It notifies employers long in advance of forces operating toward a change in the number of employees in any department, or in the establishment as a

whole. It frequently happens that these forces, when anticipated, can be counter-acted."<sup>1</sup>

Labor troubles are unquestionably a cause of some unemployment, but perhaps not so great a cause proportionately as is commonly supposed. Mr. Streightoff, from a study of the *Eighteenth Annual Report* of the United States Commissioner of Labor, concludes from the table used, that "eighty-five per cent of the idleness was brought about by causes entirely beyond the control of the men. Strikes and vacations do not occasion four per cent of the loss of work."<sup>2</sup> It is not the purpose of this discussion to deal with strikes and lockouts in any detail; but it should be remembered that strikes are not necessary evils always, and are subject to rational control through wise legislation and required arbitration.

It is true that there are thousands of comparatively inefficient workmen who swell the ranks of the unemployed; but this phase of our problem is not insuperable. Any able-bodied

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<sup>1</sup> *Annals of the American Academy of Political Science*, Vol. 59, p. 196.

<sup>2</sup> R. C. Chapin, *The Standard of Living Among Workingmen's Families in New York City*, p. 42.



workman can be made efficient by training, and if such people were industrially educated at public expense the eventual result would be a social and individual economic and moral gain. An incompetent workman might wisely be compulsorily educated. Such persons are industrially and economically immature, and are proper subjects for public direction.

The unemployables, the unfit, are many. In this country we vouchsafe liberty in excess. There are persons who by reason of disease and vicious tendencies ought to be segregated from society, and prevented from propagating their kind, either of bodies or ideas. For such as these liberty becomes a social crime. They should be employed only under immediate public control and direction. Some form of public institutional work should remove these people from the common working body.

Another class of unemployables is eminently worthy of respect: the infirm, the aged, the unfortunate; these are morally entitled to public care, and it would be an economic gain if all such were removed from private industrial employment.

Any effort to afford an expansion of oppor-

tunity for employment to those who are able and ready to work is a matter of supreme social concern. However, no complete solution of the problem is either possible or desirable. Unemployment is a phenomenon inseparable from any growing, complex, progressive society; but an excess of the condition such as is now continuously existent in American industry will become a source of social decadence, if not wisely controlled. "If the solution of the problem of unemployment means that every man should have the certainty of continuous work throughout life, then no solution is expected, or indeed desired. If, however, by a solution is meant that no man able and willing to work should come to degradation or destitution for want of wages, then a solution is, not indeed within sight, but by no means beyond hope. Its direction is certain and its distance not infinite. The demand for labor cannot be stereotyped save in a stagnant industry. The supply of labor may be made immeasurably more capable of following and waiting for the demand."<sup>1</sup>

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<sup>1</sup> Beveridge, *Unemployment*, p. 236. Quoted by Leiserson, *Political Science Quarterly*, p. 20.

Theoretical discussion of this problem has well-nigh eliminated large differences of opinion among expert students of social and economic procedure. The precedents established in other countries, the array of scientific facts and evidences, the results of experiments of some educated wise employers, modern labor legislation experts, university authorities in social science, and officials and members of prominent national scientific societies, are virtually agreed that the problem of unemployment is not only approximately solvable, but that the time has now come for the formation and promulgation of definite programs of procedure and their early enactment into law. Labor legislation in the United States has already accomplished remarkable results. Concentrated industry and its relation to workers and society are largely the basis in which this class of legislation finds root. Labor legislation is still in evolution in America, and the relation of industry to labor and of both these to society are by no means defined in the public mind and still less in law. Probably the most comprehensive field of labor legislation under public consideration at the present time

is that pertaining to unemployment in all its many aspects and relationships.

Recently enacted accident compensation laws, and present activity in health proposals, will tend to center public attention on the possibilities of unemployment insurance in the United States. It is probable that corrective measures of many kinds will precede any very positive movement for insurance; or, if in the near future a definite program of action is placed before legislative bodies for consideration, these bills will embody liberal provision for the *prevention* of unemployment. All tentative programs thus far considered by national or state associations, or prepared by individual writers of any prominence, have carefully protected insurance proposals by safeguards of direct preventive measures. The chief purpose of all social insurance is to obviate causes; and the complexity of the unemployment problem renders it specially necessary that this be assured by all possible means.

This discussion has already considered some palliative and preventive measures, which need not be repeated at length. (1) Labor troubles can be more wisely controlled. (2)

Accidents and sickness can be practically eliminated from the unemployment problem by compensation legislation. (3) Immigration, wherever it may be a factor in unemployment, can be modified by a more rational distribution of immigrants, as is now operative to a degree in the United States Bureau of Immigration. (4) Deliberate checking of output to enhance prices is clearly a field for legislative action, and could be extensively controlled by wise laws. (5) Selling practices and systematic study of markets by producing industries may not be directed by law, but an enlightened public opinion would tend to stimulate such action on the part of producers. (6) Public constructive care of unemployables is economically desirable. (7) Industrial education, wisely developed, will aid in reducing unemployment. (a) It will guard entrance to employment, and guide young people to wiser choices and greater competence industrially. (b) It must, however, be extended to include education of untrained adults. (c) It can be utilized to train workers to do more than one thing, and thus render adjustment more easy to threatened unemployment. (8) Excessive

hours of labor can be reduced, especially in seasonal trades, thus extending the time of employment, or permitting the employment of additional people, and also obviate over-fatigue of workers. (9) Old-age pensions would remove from necessity of labor many who ought not to work, but who now necessarily seek employment. (10) A general revival of agricultural life is entirely possible at present in connection with the nation-wide educational campaign for country life betterment. (11) An extensive and intensive study of "trade cycles" and "industrial crises" might be inaugurated with the specific purpose of forecasting and preventing. (12) A consistent continuous educational effort might be made to rid the public mind of the *laissez-faire* attitude toward unemployment, and to cultivate added public faith in purposive effort toward desirable social changes. All these measures, whether pursued extensively or moderately, would tend toward prevention of unemployment, and would render more probable the success of any large definite scientific program for legislative action.

Professional students of this problem are

practically unanimous in the opinion that a legislative program on unemployment should include<sup>1</sup>—

1. Establishment of Public Employment Exchanges.
2. The Regularizing of Industry.
3. Public Work, Systematically Distributed.
4. Unemployment Insurance.

Public labor exchanges in the United States are comparatively new, but abundant precedent exists for their establishment in the exchanges that have been in successful operation for some years in several European countries of industrial prominence. Great Britain has over 400,<sup>2</sup> Germany 444,<sup>3</sup> France 162,<sup>4</sup> Great Britain's exchanges are maintained by the

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<sup>1</sup> *American Labor Legislation Review*, p. 174. Commons and Andrews, *Principles of Labor Legislation*, pp. 262-3. *Popular Science Quarterly*, Vol. 31, p. 18. Seagar, *Social Insurance*.

<sup>2</sup> *American Labor Legislation Review*, June, 1915, p. 177.

<sup>3</sup> Commons and Andrews, *Principles of Labor Legislation*, pp. 278-9.

<sup>4</sup> *American Labor Legislation Review*, June, 1915, p. 177.

board of trade, and are highly centralized and controlled. The exchanges of France are all maintained by local authorities.<sup>1</sup> Of Germany's exchanges, 325 are maintained by municipalities and the remainder by associations with a government subsidy. An imperial employment bureau has been established since the beginning of the present war.<sup>2</sup> Subsidies to local public labor bureaus are common in several European countries, notably Germany, Switzerland, Belgium, Norway, and Sweden. Denmark has a superior law. A central exchange is established at Copenhagen, and branch exchanges are organized in various parts of the country. The entire system is supervised by the general government.

Great Britain has organized her exchanges strictly on a national basis. This system is a result of the law of 1909, and has been in operation, with only one reorganization, since that time, which was necessitated by the unemployment insurance law which went into effect in 1912. Apparently the British exchanges

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<sup>1</sup> *American Labor Legislation Review*, June, 1915, p. 177.

<sup>2</sup> Commons and Andrews, *Principles of Labor Legislation*, pp. 278-9.



are operating satisfactorily. The number of places filled in 1914 was 1,076,575.

The first state law in the United States providing for the establishment of a public employment bureau was in Ohio in 1910. In June, 1915, there were twenty-one states having sixty exchanges, in addition to which there were twenty municipal exchanges. Illinois appropriates annually about \$50,000, and New York approximately the same amount, for the support of labor exchanges. The best type of labor exchange law in the United States is that under which the controlling power is in the State Department of Labor, which is empowered to establish local bureaus under direct control of the state department. New York established such a law in 1914.

An effective system of labor exchanges in any state will depend largely on the liberality of state appropriations of money, and on the general quality, experience, and training of exchange officials. One great lack at present in American exchanges is that of trained men. Unquestionably these positions should be under civil service. University trained men might find here a superior opportunity for work

provided the positions can be made professional, and not political. Here is an opportunity for men trained in practical economics and sociology to get into contact with labor unions and also with employers, and render genuine scientific service in what is now a new field.

The objections to public labor exchanges in the United States come chiefly from employers' labor bureaus, and those kept up by some skilled trades, and private agencies. Employers' bureaus are few in number and are concerned almost entirely with special skilled workers. The skilled union bureaus, such as those of the metal workers, are not numerous. The private agencies fear the competition of the state, and also the inevitable control of their operations. Most states find it necessary to restrict private agencies; but under public exchange systems, the private offices are still more strictly controlled, and standardized.

A system of federal exchanges would possess large advantages over state bureaus, by reason of their extent of authority and range of business. Labor exchanges in this country

will not reach maximum efficiency until the United States Government shall establish large central exchanges to cooperate with state systems. Such an organization could control all interstate exchange business. The great advantages of a federal system would be the development of uniform methods of recording unemployment, and the eventual establishment of our national statistics on unemployment on a basis thoroughly adequate, the value of which cannot be overestimated. The United States Commission on Industrial Relations in its report issued in 1915, planned for federal employment bureaus to operate under the direction of the Department of Labor.

Exchanges become labor markets, and supply an extensive business need long felt in this country. The advantage to employers alone will probably more than balance the economic cost of the offices. The saving to workers cannot be easily estimated, but the annual aggregate will amount to millions of dollars in those states already operating under exchange laws. These bureaus put the worker in touch with information which he could not otherwise obtain, and at no expense to himself.

The economic theory of mobility of labor is blocked by the lack of information of both employers and workers. Nothing can obviate this difficulty except a clearing house for the flow of labor. Public exchanges backed by government prestige and authority make the mobility of labor more perfect than it has ever been in the history of modern concentrated industry. They are the first great factor in a purposive effort to control unemployment. They become the pulse of the situation and register an accurate indication of the extent and immediate causes of the phenomenon. They perform a genuine and necessary public function.

The regularizing of industry is an endeavor to produce continuity of employment, by avoiding unnecessary breaks in the operation of any industry. A public obligation in this particular rests on any business, dependent for its success on (1) the economic patronage of society, and (2) the productive labor of its employes. These two factors are fundamental in any industry, and they are both eminently social in their nature. The program of regularizing, places emphasis on the obligation of

business to consider its relations to society. Large industries are in these relationships semi-public. Viewed in the entirety of their effect on society, they are more public than private. Those which necessitate large reserve forces of labor for their operation, and which by reason of their seasonal nature operate only portions of the year, are under special obligation to regularize their work, or in other words to give it as great continuity as is consistent with reasonable economic returns. Employers are slow to recognize duties such as are here indicated, and hence some new laws have recently appeared calculated to stimulate their consideration of the problem. The state employment bureaus of Illinois and Pennsylvania are both instructed by law directly to exert their efforts toward the regularizing of industry. Not all obligation to regularize should be placed upon the employer, although his responsibility is and must be necessarily large. He can study the problem of unemployment in his own plant. He can regulate output, and forecast more perfectly the probable demand for production. Greater cooperation in employment of workers is possible, and this can

be accomplished by engaging labor through central public exchanges. The law might so act as to induce this kind of cooperation, as it does in the city of Boston.

Unemployment insurance, if the cost falls first on employers, would rapidly stimulate a rational continuous effort by them to regularize industry; or any other legal requirement by which unnecessary irregularity was made costly to the operators would induce similar effort, and would tend to place unemployment at a minimum.

European countries are familiar with the practice of providing systematically for public work to be done in slack seasons, and in times of industrial depression. The method consists in deliberate planning of public work, and holding it in reserve for execution at such times as workers are plentiful. England and Germany are prominent in this practice. Dr. Bowley of the University of London, one of the greatest English authorities on this subject, says that if only three or four per cent of the government orders year by year were reserved, to be executed all together when trade began to fall off, they would counter-

poise the cyclical fluctuation.<sup>1</sup> And the same writer is quoted by others to the same effect, that "an average of \$20,000,000 yearly, or only three per cent of the annual appropriation (British) for public works and services, would be sufficient to balance the wage loss from commercial depression."<sup>2</sup>

Holding public work in reserve to be done in slack seasons has developed in the United States in recent years to the point where some cities now consider the practice desirable from the economic standpoint. Cities in which the plan is operative are growing to consider it an important fiscal item in a dual sense; namely, (1) it reduces unemployment, and (2) it tends to systematize and extend many forms of necessary and desirable public improvements. The suggestion here involved is not that states or cities shall hold themselves in readiness to offer "relief" work indiscriminately to any and all applicants in times of depression; but rather that the systematic reservation of public work, if made a regular

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<sup>1</sup> Quoted in Webb, *Prevention of Destitution*, p. 113.

<sup>2</sup> Quoted by Commons and Andrews, *Principles of Labor Legislation*, p. 287.

practice by states and cities, would exercise a powerful influence in regularizing industry, and operate to the positive advantage of commonwealths, municipalities, and workers. Most emergency measures to provide work in times of industrial depression are ineffective, wasteful, and demoralizing to all concerned. It is looked upon as a temporary evil. The systematic reservation and distribution of public work according to the plan here indicated becomes a sound economic and moral procedure, thoroughly effective as soon as it becomes well organized. American cities prominent in this plan are Detroit, Duluth, and Boston. It is partially operative in many other cities. How far it will be adopted as a regular policy is impossible to state, but there are indications of its extension. Insofar as this is emergency or relief work, it is eminently wise to treat it expectantly and scientifically. To do otherwise is negligent and uneconomic.

Insurance is the greatest measure in the proposed solution of the problem of unemployment. W. H. Beveridge, the great British authority, says, "The principle of insurance affords the most satisfactory, because the most



flexible, method of making general provision for unemployment.”<sup>1</sup> Writing before the present law was in operation, and referring to contributory insurance of the Friendly Societies the Webbs say: “Insurance, in this sense, has come, in England, to be indissolubly connected in thought with doing without Poor Relief and requiring none of the charitable alms of the rich and the middle classes. And this method of bearing the cost has undoubtedly the incidental advantages of developing foresight and thrift, ability to manage affairs, and willingness to subordinate present enjoyments to future needs.”<sup>2</sup> Daniel Guggenheim of New York says: “Unemployment, sickness, old age, and similar problems of labor can be solved only through some system of social insurance managed and applied by state authority.”<sup>3</sup>

No one denies the value of the general insurance principle in its operation today in all civilized countries. The distribution of risks,

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<sup>1</sup> Beveridge, *Unemployment*, p. 228.

<sup>2</sup> Webb, *The Prevention of Destitution*, p. 165.

<sup>3</sup> *Annals of the American Academy of Political Science*, May, 1915, p. 210.

or the cooperative distribution of the general cost of insurance losses, is recognized as sound economics. We in America have hesitated to extend the principle, and incorporate it in law, largely for three reasons: (1) we have considered it the privilege and duty of every citizen to be responsible for his own welfare; (2) we doubt the efficiency of government wisely to execute social insurance; (3) public ignorance of practice in other countries. None of these are good reasons, and all are weak and untenable. The first is rapidly becoming obsolete in American life, as demonstrated in the growing subordination of citizens through increasing complexity of industrial organization necessitated by modern business. "No man liveth unto himself" was never so true in America as it is today; and it becomes constantly more urgent that we define clearly in terms of law the newer conditions of life, the rights and privileges of the citizen of today. The changing attitude of the American mind is shown with greatest clearness in modern social labor legislation. It is the public pulse, and demonstrates a growing sense of responsibility of man to man. The other

reasons enumerated above suggest their own answers. The insurance principle requires no defense; the only question here involved is the rational extensibility of it in American life.

Unemployment insurance is operative on the European continent through government subsidy of voluntary associations. The Ghent system is the one most extensively imitated, and is the most prominent continental type. It originated in 1900, and has been a marked success from the beginning. It is based on labor organizations, granting out-of-work benefits through contributions of members, and municipal or state subsidies. Modified types of this system are found nearly everywhere in western Europe. Its benefit to working people has been unquestionably immense, but its greatest accomplishment has been the positive practical demonstration of the possibility of unemployment insurance. It is operative in Denmark, Norway, Belgium, France, Italy, Holland, Germany, Switzerland, and Great Britain. On January 1, 1914, there were "approximately 600,000 workers in Great Britain, 111,000 in Denmark, 100,000 in Belgium,

29,000 in Holland, 27,000 in Norway insured against unemployment under this system."<sup>1</sup>

The most valid objections to it and others of its kind are that the burden on the workman is rather heavy, and no requirement is placed on industry, the non-union worker is excluded, and the benefits are not adequate for family support. Nevertheless, the Ghent system has been and is a superior nucleus for the growth of the insurance idea; and as a demonstration of the potential future of unemployment insurance, it has been a great example. By way of contrast, there is only one labor union in America whose attempt is worthy of notice, namely, The Cigar Makers' Industrial Union of America, which has operated a system of unemployment benefits since 1890. In 1912 it paid out for this purpose \$42,911.

It is of interest to note the order of the evolution of the social insurance idea in most countries where now operative. Accident and sickness have both originated in the voluntary mutual form, and gradually developed to the subsidized mutual form, and finally, after public

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<sup>1</sup> *American Labor Legislation Review*, June, 1915, p. 190.

sanction, have passed to full social recognition in state compulsory insurance, the active factors in which are employers, employees, and the government. Unemployment insurance is still in the second stage of development on the continent of Europe. In Great Britain it passed by law in 1912 into the third stage of governmental direction and control. In America accident insurance has passed through the first stage, omitted the second, and passed to the third in thirty-three states. Health insurance still remains in the first stage, but has taken the initial steps by which it may pass directly into the third. Unemployment insurance has the opportunity of profiting from the experience of foreign countries and the current discussion in America, and may omit both first and second stages in this country, and begin operating under its fullest developed form.

Unemployment insurance must rely for its eventual success upon the development of reliable and accurate statistics. Labor exchanges are the solution of this part of the problem and are an essential part of any rational program. The Imperial Statistical Department of Ger-

many, in 1906, at the close of the first volume of the report, says: "On one point all proposals agree, one point emerges clear in the adjudication upon every practical scheme: that in every form of unemployed benefit or insurance an adequate system of Labor Exchanges is of the first importance;"<sup>1</sup> and the next volume of the report is given up entirely to the subject of exchanges. Mr. Beveridge says: "No scheme of insurance, or of any other honorable provision for unemployment, can be safe from abuse unless backed by an efficient organization of the labor market, i. e., by a fairly complete registration of all the employment offering. On the other hand, with that complete registration the insurance or relief fund has an absolute protection; the men, if they too are compelled to register at the same office, cannot remain on the fund one moment after there is work anywhere available for them to do."<sup>2</sup> The labor exchange performs a double function in its relation to insurance. It furnishes the statistics by which the risks of insurance can be estimated, and thus gives sta-

<sup>1</sup> Quoted by Beveridge, *Unemployment*, p. 229.

<sup>2</sup> Beveridge, *Unemployment*, p. 229.

bility to the system; and it also checks possible abuses of the system by applying the "work test." Exchanges assure the mobility of labor, and guard the funds from possible abuses. With these things accomplished, the function of insurance becomes simply the support of the *necessary reserve* of labor at its unavoidable periods of unemployment. The opinion of the German report mentioned in the preceding paragraph was that the problem presented no difficulties which rendered an insurance system impossible.

The British government, when it inaugurated compulsory unemployment insurance in 1912, realized the impossibility of correct actuarial estimates of the unemployment risks involved in the various trades included within the law. They found no available statistics by which to estimate the risks of each trade. They therefore followed the only alternative, and made a general rate for all trades under the law. This was experimental procedure, but provision is made for rate revision by the board of trade after seven years of experience. After over three years of operation the British act is apparently successful. Legal requirements have

been met, and a saving made on the original actuarial estimates. Furthermore, an extended use of private insurance is noticeable in the insured trades, as well as in uninsured trades. The British law includes seven groups of trades, all selected because of their special liability to fluctuation of employment. Approximately 2,500,000 workmen are insured, or one-sixth of the total in the country. The employer and employee contribute equal amounts of 5 cents each per week. The government pays  $3\frac{1}{3}$  cents weekly, or one-third as much as both employer and employee, or one-fourth of the total. This law had the effect of increasing the number of labor exchanges, and markedly extended their use both by insured and uninsured trades; and all claims for benefit are made through the labor exchange, for obvious reasons. Workmen who are sixty years of age and have paid five hundred weekly contributions may be refunded the excess of payments made over benefits received, plus compound interest at  $2\frac{1}{2}$  per cent. A workman may not receive benefits if he strikes, leaves without just cause, or is guilty of misconduct. All this tends to the stabilizing of industry. The em-



ployer may receive a refund of one-third his contributions for every worker retained in his business forty-five weeks of the year. This is a substantial economic inducement to regularity of work.

The greatest purpose of unemployment insurance is the prevention of idleness through the regularization of industry. It rewards both employer and employe for continuity of work, and it penalizes both for unnecessary discontinuity. Of all methods to induce prevention, insurance is the most effective. It exercises an elastic but constant pressure on all parties concerned to reduce the evil to the lowest possible minimum.

All our expert authorities and professional students of this problem unite in agreement regarding causes and some prominent remedies already treated as to their effectiveness in other countries. Scientific consideration of the problem in its many aspects points to a conclusion that unemployment insurance presents no insuperable barriers to its effective operation in the United States.

## CHAPTER VII

### OLD AGE SUPPORT

**O**LD age defines itself. Opportunities for deception are small, and few safeguards are necessary. This problem is clear, the risks are known, and the costs of either pensions or insurance can readily be estimated. Actuarial knowledge regarding old age is on a sound basis.

Old age apparently, in many instances, loses its economic efficiency today earlier than in former economic eras. Modern industry deprives the aged in a double sense: it tends in some industries to retire men at an earlier age, and it takes away somewhat a respect for age which formerly inhered in society. It is apparently a contradiction that human longevity is increasing, and that the working period is shortening. Such an anomaly is difficult to justify, and perhaps is only a temporary maladjustment which may be corrected. The above contradiction perhaps cannot be proven as a

general phenomenon of modern society, yet evidences are available of its existence in America. Using American statistics, Mr. Rubinow says: "The number of persons over sixty-five years old per 1,000 men over fifteen has increased from fifty-four in 1880 to sixty in 1890, and sixty-three in 1910. According to occupational statistics, however, among males gainfully employed and over fifteen years of age, persons of sixty-five years and over constituted only 50 per 1,000 in 1890, and 47 per 1,000 in 1900. Thus the proportion of old men in the country was increasing, while the proportion of old men in gainful occupations was declining."<sup>1</sup> These figures apply only to working people in industry, and there are many occupations to which they have no application. Nevertheless they give positive evidence of a tendency of modern industry to displace the older worker. Mr. Beveridge, using English labor union statistics, differs somewhat from the above conclusion in that he says that the age of superannuation has risen and not lowered, but he adds another important

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<sup>1</sup> Rubinow, *Social Insurance*, p. 305.

item: "While the age of superannuation has risen, the age at death in each of these unions has risen yet more rapidly, i. e., the actual burden of old age upon the unions has increased. The whole period of life has lengthened more than the period of industrial life."<sup>1</sup>

However, the evidence is clear from many sources that modern old age is cumulative, and the general problem of support increases in complexity. The increase in longevity ought to afford a great moral satisfaction to society; and there is no reason why it may not—except for the economic problem involved in the support of the aged.

Unquestionably age brings less destitution to society than do either accidents, sickness, or unemployment. However, each of these three misfortunes is a partial cause of destitution in later life. Social insurance against them will probably tend to increase longevity, but it will also tend to lessen old age poverty. In this relation it is interesting to note that Germany places larger emphasis on invalidity insurance than upon that of the aged. She veils much of

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<sup>1</sup> Beveridge, *Unemployment*, p. 123.

her old age insurance by this method. The psychology involved may be that the German government believes that the people will remain loyal to the contributory principle of sickness insurance rather than consent to straight pensions for old age. In many cases invalidity is premature economic senility.

Much old age poverty is a result of conditions or misfortune over which the individual sufferers could have exercised no control. In other cases it is due to defects of character, wasteful, careless, dissipated lives, and other similar causes. It may have its origin in either biologic or sociologic sources. Booth,<sup>1</sup> in his study of living conditions in London, concluded that 30 per cent of the population lived in poverty. Rountree,<sup>2</sup> after a careful survey of the city of York, estimated that 27.8 per cent of the population were in want. Robert Hunter<sup>3</sup> gives his opinion that 10,000,000 people in the United States live in a condition of poverty. The Massachusetts Commission on Old Age Pensions, Annuities, and Insurance, 1910,

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<sup>1</sup> C. Booth, *Life and Labor of the People in London*, 1903.

<sup>2</sup> Rountree, *Poverty, a Study of Town Life*, 1902.

<sup>3</sup> R. Hunter, *Poverty*, 1913, p. 11.

states 177,000 as the number of persons in Massachusetts sixty-five years and over. It gives 135,788, as "non-dependent," leaving 41,212 old age dependents. The commission reports 31.7 paupers over sixty-five years for every 1,000 in that age class in the state. Mr. Squier<sup>1</sup> says: "There are approximately 1,250,000 former wage-earners (in the United States) who have reached the age of sixty-five in want and are now supported by charity, public and private."

The moral appeal of extreme poverty is almost universally effective, but whatever of sympathy the dependent aged may arouse, the problem of economic support is always with us. Society bears the burden. Whether or not society has wisely cared for its aged poor is a question of large social import. Wages ought to mean an income sufficient to insure support for life; and where such is not the case it is inevitable that supplementary means shall be forthcoming in old age to warrant a continued "living." Under such conditions public support should be considered as postponed wages,

<sup>1</sup> Squier, *Old Age Dependency in the United States*, p. 3.

and not charity. The worker who has spent his life in industry, and whose wages have been legitimately consumed in support of himself and family, is entitled to "supplementary" wages in old age. A pension in such cases may rightly be called "postponed wages."

Social insurance in its most liberal aspect is a mode of accomplishing a more equitable distribution of wealth. It operates indirectly but with special effectiveness, because the added distribution finds its way not indiscriminately to all workers, but to the least fortunate and the more needy. It is difficult to raise wages, because in modern industry they are determined by bargaining, and usually the stronger factor in the bargaining is the employer. Social insurance and industrial pensions do indirectly raise wages.

The modern cost of living supports the conclusion that large numbers of working people cannot lay aside from current wages enough money to provide for possible emergencies of sickness, accidents, or burial expenses, and still less can they protect themselves against possible old age poverty. Practical evidences of this condition are common enough. It is the

usual testimony of social workers among the lower strata of society; and it is likewise the carefully studied conclusion of scientific students of the problem involved. Dr. Chapin's well-known study supports this conclusion,<sup>1</sup> and also Dr. Streightoff's study of living conditions in the United States.<sup>2</sup> Thrift is a desirable habit for those who receive a wage that makes saving a possibility, but thrift becomes a mockery in the homes of the poor, and "saving" an economic falsehood.

Eleven European countries, together with Canada, Australia, and New Zealand, have national measures, either in the form of insurance or straight pensions, for the solution of the old age problem.<sup>3</sup> Thus national economic protection of the destitute aged may be considered a social principle recognized by the majority of the industrial nations of the world. The evolution of the idea need not be discussed here. However, it should be stated that volun-

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<sup>1</sup> R. C. Chapin, *Standard of Living Among Workingmen's Families in New York City*, 1909.

<sup>2</sup> F. H. Streightoff, *The Standard of Living Among the Industrial People of America*.

<sup>3</sup> Commons and Andrews, *Principles of Labor Legislation*, p. 45.



tary subsidized insurance has never at any time or in any country accomplished its purpose. The common people don't insure. State compulsory insurance or straight pensions are the only successful plans thus far evolved for old age protection. Germany is the great example of the compulsory idea. Her law has operated since 1889. Under it employer and employee share the premium equally. The government adds a stated sum yearly. The French developed a similar law in 1910. These two nations are the most quoted examples of the compulsory old age insurance system; but Sweden has risen to prominence in her law of 1913, compelling insurance for every man and woman in the realm. Luxemburg, Roumania, and Holland also have compulsory old age and invalidity protection. Straight pension systems exist in Denmark, Belgium, New Zealand, Australia, and Great Britain, and in modified form elsewhere. In some countries workers in specific industries are insured or pensioned.

Great Britain's experience with the problem of poverty is well known. The English "Poor Laws" are historical. The general subject has enlisted the best British thought for more than

a century, and after repeated study the conservative British judgment selected pensions (1909) as the solution of the old age poverty problem. However, England's compulsory protection for invalidity tends to give her a dual solution of the problem. France has both systems, although her insurance plan is the more prominent. In fact, Germany and other continental countries have found it necessary to provide a form of pension protection for such old age cases as could not for any reason be included in the insurance lists. The fact is thus established that the two general plans are not incompatible, and are operating together in some countries.

In any pension system the great question is, who are entitled to consideration? An effective answer here can be made by citation of practices which are in themselves national opinions. The Danish law is comparatively severe in its definition of eligibility, but is a superior statement of worthiness. Under this law the applicant (1) "must not have been convicted of a crime or of a dishonorable transaction. (2) His income from other sources must be insufficient to provide the necessities

of life, or proper treatment in case of sickness, for himself or those dependent upon him. (3) His poverty must not be a consequence of any action by which he has deprived himself of the means of subsistence for the benefit of his children or others. (4) During the ten years preceding his application, he must have had a fixed residence in the country, and not have applied for pauper relief or have been found guilty of vagrancy or begging. (5) Finally, according to a proviso added in 1902, he must not have led a life such as to cause scandal nor have been convicted of drunkenness or immorality.”<sup>1</sup> One great effort of the Danish law is to distinguish clearly between honorable poverty and poverty to which no honor is due. It clearly separates poor relief from the pension system. It is the opinion of students that by making a sharp distinction between paupers and pensioners, the effect is not to discourage thrift and prudence on the part of the wage-earning class.<sup>2</sup> This law is severe in comparison with those of some other countries, but all old age pension laws define with great care the

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<sup>1</sup> Seager, *Social Insurance*, p. 133.

<sup>2</sup> *Ibid.*, p. 135.

moral and economic eligibility of applicants. A good pension law is a premium on moral life.

The need of old age relief in some systematic form was made evident in the history of pensions and insurance claims in foreign countries. Under the French law of 1907 about one-half the people over seventy years were eligible to the pension. In Denmark 35 per cent of the population over seventy years were entitled to pensions. In 1909, 86 per cent of England's population over seventy years of age needed relief. And in the Australian colonies the percentage of persons over sixty-five years eligible to pensions varied from 25 per cent to 50 per cent of the total population of that age class.<sup>1</sup>

Private corporation pension systems in the United States have served the public mind in stimulating an appreciation of the desirability of some form of pensions or insurance for working people. Among railroads and large industrial concerns, pension systems have tended to hold good men in the service, and have been wise business policy; but in no case have they constituted a contract. They can be

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<sup>1</sup> Rubinow, *Social Insurance*, pp. 309-10.

terminated arbitrarily at any time by the corporation. They furnish no dependable protection to workingmen. Probably not more than sixty such pension systems exist among the larger American industries.

Public corporation pension systems in this country are not numerous. Massachusetts adopted a general contributory pension system for state employes, which went into effect January 1, 1912. In 1915, Alaska provided pensions for all indigent pioneers over sixty-five; Arizona for all indigent citizens over sixty years of age, and Pennsylvania for permanently incapacitated state employes.<sup>1</sup> All city pensions are limited to specific classes of employes, chiefly police, firemen, and teachers.

The general sentiment in the states, as evidenced in law, is against straight pensions for employes, and in favor of the contributory plan. A remarkable series of laws has been enacted during the five years 1911-15, granting mothers' pensions in thirty states.<sup>2</sup> However, this legislation may not be correctly interpreted

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<sup>1</sup> *American Labor Legislation Review*, Dec., 1915, p. 749.

<sup>2</sup> Commons and Andrews, *Principles of Labor Legislation*, p. 405.

as favorable to a general system of straight pensions, although it may indicate a growing favorable public attitude toward compensation laws.

Pension laws are simple to administer as compared with compulsory insurance laws, but they are more costly to the government. The English system entails a government cost far greater than does the German contributory plan.<sup>1</sup> The latter places large responsibility upon the worker and upon industry to provide against old age dependency. The pension system relieves all but the government of responsibility, and reduces its function to relief. The contributory mode is a preventative of destitution; the pension plan may tend to increase it.

Since 1910 the attitude of the American public has changed regarding compulsory protection of working people. The successful legislative campaigns for accident compensation in thirty-three states have brought compulsory social insurance ideas into favorable consideration. The indications are that the principle is accepted by the people of the United

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<sup>1</sup> F. S. Baldwin, in *American Labor Legislation Review*, June, 1913, p. 211.

States, and that some comprehensive plan of old age protection will eventually be adopted. Evidence points toward the conclusion that the public will favor a compulsory contributory insurance system rather than a non-contributory pension plan. A combination of these may prove desirable in the earlier stages of the movement, but the basal system will probably be contributory insurance.

## CHAPTER VIII

### SOCIAL INSURANCE AS A GENERAL EDUCATOR

**S**Ocial insurance is not temporary in its operation or results. Wherever adopted it remains. Modern nations have not entered into this system of benefits to working classes without due consideration, and it is worthy of note that the leading nations of the European world are most prominent in the practice.

The great exemplar of the system is Germany, and it is there we find a national solidarity and efficiency unequaled by any other modern nation. Probably the two most potent influences in the progress of the German people are education and social insurance. The reciprocal influence of these forces has operated continuously toward the strengthening of both; and the confidence of the people in the government and in themselves has steadily increased.

The United States is well on the way to the adoption of a general scheme of social insurance. The principle involved is already ac-



cepted by two-thirds of the states. There is both a general and particular educational influence exerted by protective laws. Their enactment by public authority tends to impress workers with their own social and individual value, elevate self-respect, and stimulate ambition, impress the public mind with the utility of social effort for general betterment, and stimulate thoughtful educated minds regarding further programs for progress.

Social insurance is a very positive departure from a *laissez-faire* theory of society. It places emphasis on definite purposive effort to accelerate social advance. It assumes that theories of progress, and of group values, have been sufficiently analyzed to warrant application and practice. The existence and continuance of insurance laws in prominent modern nations is a historical demonstration of the evolution of social science from the theoretical status to a practical applied stage; and also constitutes a merging process of sociology and economics. Furthermore, it furnishes a great practical correlating social focus for the professional activities of physicians, biologists, psychologists, sociologists, economists, educa-

tors, lawyers, employers, business men, and statesmen. These professionals constitute separate centers of scientific thought. Social insurance will invite and necessitate the attention of all these groups to the organization, direction, control, and general appraisal of social results of insurance laws. Their opinions will exert large educational influence on legislatures, executive officers, and on the public mind. It is probable that no progressive program in America offers as great educational opportunities, or will function more widely in compelling and disseminating knowledge, than will social insurance. It is by its inherent appreciative nature, and widespread operation among millions of people, a great working laboratory and a universal teaching process.

The educational influences of social insurance may be roughly classified as: general information of the public; education and influence on employers and employes in industry; effect on institutions, universities, colleges, public schools, and on the science of education. Health insurance will reflect its influence potently on the public mind. It means large organized effort to attain a high degree of

public health. It will not confine itself to the work of corporate industry to lessen and prevent disease; but will tend to enlarge all public and private work for the health conservation of all classes of people. All insured workers will receive special instruction regarding health sanitation, personal hygiene, and specific attention for disease. Education for *prevention* will be the watchword. This continued instruction of workers will, in the course of a few years, amount to a liberal public health education, and result in the acquisition of habits of progressive change, the value of which cannot be overestimated. "It is an essential corollary of the democratic organization of insurance that provision for the education of the insured should be well developed. They must attain that plasticity of habit, that readiness to acquire new modes of thought and conduct, which alone will enable them to respond to the needs of growing experience and of changing conditions. And they must learn from experience what the new habits must be, realizing that steady change is the condition of strong survival, and that the one way of ascertaining what is the next step forward to be rightly

taken is by scanning experience with steady persistence.”<sup>1</sup>

Publicity of health conditions and dangers would become more necessary under insurance. Knowledge would be in demand. Employers would insist on publicity and the dissemination of information regarding prevention. This kind of public education would no doubt increase the sensitiveness to disease on the part of many people; but this tendency would gradually be reduced, and more than offset by increased confidence in scientific prevention. There surely is no advantage in ignorance.

Public knowledge of the benefits derived from social insurance may easily quicken interest in the general principle of insurance, namely, the distribution of risks, or cooperation, and direct the thought of many people, particularly the middle economic class, toward private insurance. No very effective method of educating the public to fuller appreciation of life and endowment insurance has been evolved by private insurance companies. The agent system is enormously expensive; skilled, effective

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<sup>1</sup> Gibbon, *Medical Benefit in Germany and Denmark*, p. 223.

insurance agents draw large salaries and commissions; and this fact is one of the largest items of expense in the experience of private insurance companies. The educating factor in social insurance would probably act in a double sense; more people would be wisely aware of the value of insurance, and the private companies would as a result of public insurance lower their rates, offer more attractive contracts or policies, and probably extend group insurance to large bodies of workers and professional people. The total of the insurance business as a private enterprise has reached a large sum, but is still in its infancy when compared with possible development. If the cost of private insurance were reduced, undoubtedly a much larger proportion of the people would take advantage of it.

To all persons who can afford to carry it, private insurance is a large influence for thrift. But whether induced by insurance or by other modes of saving, its cultivation is eminently desirable among large numbers of American middle class workers. The effect of social insurance on all classes should be to create a better feeling of economic security, and with

the more intelligent workers to increase that security by systematic saving. The middle classes and most professional people ought to find it possible to accumulate some wealth, even though it be small. The industrial employe, when he becomes fairly protected against accident and sickness emergencies, will be free from a large amount of "worry" regarding the possible necessity for sudden, unexpected expenditures and debt from the causes above mentioned. The wiser of this social class will probably see his opportunity, and thrift become more common.

Under the present wage scale among people of the lowest economic strata, social insurance will bring a guarantee of the necessities of life, and prevent extreme poverty in many cases by relief from debt, from medical and hospital service, and from funeral expenses. But here no education regarding thrift can induce saving. These workers cannot postpone the use of wages. All will be demanded for immediate needs. To expect such people to curtail on common necessities in order to provide for some unseen need is "an unsound social economy, involving a heavy net cost of social wel-

fare.”<sup>1</sup> Insurance will yield large results in added knowledge of how to live, and the daily happiness of such people will be enlarged materially and intellectually.

The immediate effect of social insurance may not tend to shorten the hours of routine labor in general; but a continued study of accident frequency as resulting from fatigue may result in information that will lead to lessened hours in industry where for any reason the strain on body or brain is excessive. Fatigue is a fruitful source of disease. Under insurance, examinations of workers will disclose its effects, and probably stimulate further scientific study of this phenomenon already begun by Mosso, Goldmark, and others. In this connection, child labor will probably be abolished more completely than ever before in all states where social insurance is adopted. This will follow largely as a result of continued study of economic losses through child labor, but also by reason of detrimental results physically and mentally on child workers. Excessive fatigue among children is a positive waste of future life force of society. Prevention can here

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<sup>1</sup> Hobson, *Work and Wealth*, p. 105.

operate with large effect, and an informed public will so demand. Insurance laws will induce the conservation of all human resources, and one great result will be the protection of children.

Social insurance will tend to prove the fitness for service of all workers. The ultimate results cannot now be measured, but the idea embodies immense educational possibilities. It bears close relationship to the work of colleges and schools, but it also concerns the labor of all who serve the public need in any capacity. Industry will be compelled to assure itself more perfectly than ever before of the abilities of its workers. The continued study of "fitness" will probably not confine itself many years merely to inquiry and examination of physique and nervous systems, or to a search for bodily defects and disease. These efforts will operate largely, and be productive of immense social value as already discussed in previous chapters; but ultimately industry and business and the general public will expand the idea to include the educated technical fitness of all workers to serve in any capacity requiring skill or special knowledge. This has not heretofore



been the attitude of the general American public. We have been tolerant and indulgent in this respect to the verge of ignorance. Public attention to this subject of "preparedness" for service will be accelerated by insurance. Care of the worker now presupposes his value; but enlarged experience and information will inevitably mean that "social worth" shall include economic "fitness" for his service.

This idea is already in operation in many industries. "Scientific management" has extended itself beyond the offices of corporations in industry and reached out to the problem of the efficiency of all workers, but especially routine labor. The experiments, laboratory and practical, of Frederick Taylor<sup>1</sup> are pioneer efforts in this field, but they have yielded remarkable results, and have produced information of great value. Mr. Taylor's methods and discussions are largely from the employer's standpoint. Mr. Hoxie's recent book<sup>2</sup> offers new points of view decidedly instructive to employers, employes, students, and the general public. Social insurance has already stimu-

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<sup>1</sup> F. W. Taylor, *Scientific Management*.

<sup>2</sup> R. F. Hoxie, *Scientific Management and Labor*.

lated new interest in this kind of study and a literature on the subject is beginning to appear. All this effort is richly educative in its operation.

Ultimately through education in industry, colleges, and schools, a system of certification and registration of workers will evolve, first, as a protection to industry and the public; second, to safeguard efficient workers themselves; and third, to assure the "fitness" of all young and new workers before they venture to offer themselves as candidates for employment. Such organization under public control, will become a necessity under social insurance, and will compel the education and preparation of every man for his vocation. We literally face a new era in the education of workers in America; and while industry will do an immense amount of superior work in the training of its employes, the ultimate result will be a stupendous extension of public, vocational, and industrial instruction.

The education of labor as now operative in many large industries under modern management is of incalculable value at the present time. Its results to production and workers

can scarcely be overestimated; and when is added the general training, the libraries, school rooms, club houses, recreations, gymnasiums, swimming pools, the dining rooms, lecture rooms, rest rooms, hospital facilities, medical service, and the professional efforts of trained social secretaries and directors, the total product is not only a social solidarity within the industry, but it amounts to a liberal general education for thousands of citizens. Social insurance will not only demonstrate still further the wisdom of these methods, but will tend to make more stable and continuous all such education of the men and women in industry. It pays, and is an assurance of efficiency.

The past twenty years in the United States has been a period of increasing conservative governmental control of natural resources, public health, industries, labor organizations, business corporations, and commerce. The last ten years of this period has witnessed more expert professional interest in legislation than previously existed, the result of which has been a wiser consideration of all forms of social legislation. Since 1910, social insurance as a

legislative program has come steadily into prominence. It was projected as a legislative measure in the United States under educated professional guidance. Thus far it has satisfied a genuine public need through accident compensation laws in two-thirds of the American states. Some of its further possible accomplishments in American industrial and social life it has been the purpose of this volume to designate.



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